



**BOARD ROLE PERFORMANCE, CREDIT MANAGEMENT AND FINANCIAL
PERFORMANCE OF COMMERCIAL BANKS IN UGANDA**

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BU/GS21/MBA/27

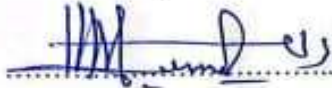
**A RESEARCH REPORT SUBMITTED TO THE DIRECTORATE OF GRADUATE
STUDIES, RESEARCH AND INNOVATION IN PARTIAL FULFILMENT OF
THE REQUIREMENTS FOR THE AWARD OF A MASTERS
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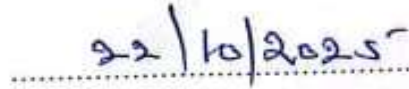
DECLARATION

DECLARATION

I hereby declare that this dissertation titled: *The mediating role of credit management in the relationship between board role performance and financial performance of commercial banks in Uganda* is my original work. It has not been published elsewhere and all secondary information sources used have been properly acknowledged.



Kintu Simon



Date

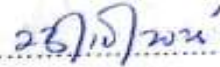
APPROVAL

APPROVAL

We the undersigned declare that this dissertation titled: *The mediating role of credit management in the relationship between board role performance and financial performance of commercial banks in Uganda* has been submitted with our approval as University supervisors.



Assoc. Prof Musenze Ibrahim



Date



Dr. Watema Joash



Date

DEDICATION

I dedicate this dissertation to my wife, Madam Nyago Sarah; and my children, Dedy Morris, Namulinda Mary Trudy, Kintu Edwin, Mukanza Alice, and Kintu Recee.

ACKNOWLEDGEMENTS

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ABBREVIATIONS

BoU:	Bank of Uganda
KYC:	Know Your Customer
IMF:	International Monetary Fund
IFRS:	International Financial Reporting Standards
NPL:	Non-performing loans
ROA:	Return on assets
ROE:	Return on equity
SPSS:	Statistical Package for Social Scientists

ABSTRACT

This study examined the mediation role of credit management in the relationship between board role performance and financial performance of commercial banks in Uganda. The specific objectives of the study were to: examine the relationship between board role performance and financial performance of commercial banks in Uganda, assess the relationship between credit management and financial performance of commercial banks in Uganda, establish the relationship between board role performance and credit management in commercial banks in Uganda and examine the mediating role of credit management in the relationship of board role performance and financial performance of commercial banks in Uganda. The study used a cross-sectional research design and a quantitative research approach. The study population was composed of 24 Commercial Banks in Uganda. Census approach was used to adopt the entire study population as the sample size. Data was collected using a structured questionnaire. The questionnaire tool was tested for validity and reliability using content validity index and Cronbach's alpha and the results indicated that the tool was valid and reliable. The study obtained a response rate of 91.3%. The study established that board role performance had positive and statistically significant relationship with financial performance and credit management. Credit management had a statistically significant relationship with financial performance, and credit risk management mediates the relationship between board role performance and financial performance of commercial banks in Uganda. Based on the findings, the study concluded that credit management partially mediates the relationship between board role performance and financial performance of commercial banks in Uganda. Therefore, the study recommends that Boards should integrate credit management practices into governance strategies to maximize their impact on financial outcomes.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter contains the background of the study, problem statement, purpose of the study, research objective, hypothesis, scope of the study, conceptual framework, and significance of the study

1.1 Background of the study

Commercial banks play a vital role in the socio-economic development of countries (Mugarura and Namanya, 2020). They enhance economic growth through the efficient allocation of financial resources (Lotto, 2019). The relationship between effective credit management and financial performance is particularly significant, as banks must navigate risk while maximizing profitability (Lotto, 2019). Financial performance is measured in terms of Return on Assets, Return on equity, and ratio of nonperforming loan to total loans. Evidence suggest that world over, there is a challenge of decline in financial performance among commercial banks.

Globally, the banking sector has encountered numerous challenges that have adversely affected its financial performance. According to the International Monetary Fund (IMF), the average ROE for banks worldwide has declined to approximately 10% in recent years a notable drop from the pre-financial crisis level of around 14% (Handa, 2022; Mugarura & Namanya, 2020). High-profile failures such as the collapse of Lehman Brothers, and the nationalization of Northern Rock and the Royal Bank of Scotland in the UK, underscore the sector's ongoing struggles with weakened financial performance (Mugarura & Namanya, 2020). These events illustrate broader structural and operational vulnerabilities within global banking systems,

including inefficiencies in risk management, overleveraging, and exposure to volatile economic cycles.

In Africa, the situation is somewhat similar, with banks in sub-Saharan Africa showing an average Return on Equity (ROE) of around 11%, indicating a moderate level of profitability but also significant operational risks (Okwir and Magala, 2024). In Uganda, the financial performance of commercial banks has shown variability (Okwir & Magala, 2024; Grant, 2023). According to the Bank of Uganda, the average ROE for commercial banks in the country was reported at 12.5% in 2023, a slight decline from previous years, which raises concerns about the sustainability of profitability in the sector (Okwir & Magala, 2024). The challenges faced by Ugandan banks include high levels of non-performing loans (NPLs), which reached about 5.5% of total loans in 2023 (Grant, 2023). The International Monetary Fund (IMF) provided a benchmark for NPLs in the banking sector of Uganda at around 3% to 5% (IMF, 2023). The 5.5% NPL ratio reported in 2023 therefore indicates a slight increase, which is concerning as it exceeds the upper threshold of the typical benchmark.

This study is underpinned by Agency Theory, as proposed by Jensen and Meckling (1976), which explains the relationship between principals (shareholders) and agents (bank management and board members), where agents are expected to act in the best interests of the principals to maximize organizational value. The theory emphasizes that when boards play the roles of giving oversight, governance, and strategic decision making, the financial performance of the bank will improve. Also, the theory suggests that managing risks associated with business is fundamental to improve performance. Based on these views, the theory supports the notion that both Board Role Performance and Credit Risk Management are essential predictors of financial performance in commercial banks.

Although numerous studies have examined the relationship between board role performance, credit risk management, and financial performance, the majority of this research has been context-specific, often limiting the generalizability of findings across diverse banking environments. For instance, Handa (2022) analyzed the impact of board governance on bank performance within the Indian banking sector, while Kaazara and Agaba (2023) focused on credit management practices in Rwandan commercial banks, and Kayaga (2023) assessed credit policy effectiveness in Ugandan microfinance institutions. While these studies contribute valuable insights, they primarily address either board performance or credit management in isolation, and within particular national or institutional contexts. More critically, there is a scarcity of empirical research that systematically investigates the mediating role of credit risk management in the relationship between board role performance and financial performance particularly within the Ugandan commercial banking sector. This study seeks to address this gap by examining the mediating influence of credit risk management on the relationship between board role performance and the financial performance of commercial banks in Uganda.

1.2 Statement of the problem

The Bank of Uganda (BoU) has implemented several regulatory interventions, such as risk-based supervision and prompt corrective actions for distressed financial institutions to identify and address weaknesses in credit management (BoU, 2024). However, despite a projected economic growth rate of 5.0-5.3% for 2023, actual performance in the banking sector shows that banks are grappling with rising non-performing loans (NPLs) and declining financial performance hindering achievement of the project (World Bank, 2023; Okwir and Magala, 2024). As of 2023, NPLs in Uganda's banking sector reached approximately 5.5% of total loans,

a concerning statistic that reflects the challenges banks face in managing credit risk effectively (Okwir and Magala, 2024). Also, the Bank of Uganda (2023) report indicates that there is a decline in the ROA and ROE of Commercial banks. In 2023, the average ROE for individual Commercial banks stood at 26%, while the sector-wide ROE concluded at 38.5%. However, there was notable variability ranging from a high of 60.5% to a low of -18% (Uganda bankers' Association, 2023). The declining levels of financial performance among commercial banks prompted Bank of Uganda to demote three (3); Opportunity Bank, Guarantee Trust Bank and ABC Bank to tier 2 (Nakaweesi, 2024). Additionally, the Several studies have explored the relationship between credit management and financial performance of commercial banks in Uganda (Mugarura and Namanya, 2020; Kaazara and Agaba, 2023; Kayaga, 2023; Okwir and Magala, 2024). However, they have not specifically addressed how board role performance influences credit management practices and, subsequently, financial performance. This study aimed to address this gap by examining the mediating role of credit management in the relationship between board role performance and financial performance in commercial banks in Uganda.

1.3 Purpose of the study

The purpose of the study was to examine the mediation role of credit management in the relationship between board role performance and financial performance of commercial banks in Uganda.

1.4 Specific objectives

The specific objectives of the study were:

- i. To examine the relationship between board role performance and financial performance of commercial banks in Uganda.

- ii. To assess the relationship between credit management and financial performance of commercial banks in Uganda.
- iii. To establish the relationship between board role performance and credit management in commercial banks in Uganda.
- iv. To examine the mediating role of credit management in the relationship of board role performance and financial performance of commercial banks in Uganda.

1.5 Study hypotheses

H₁: Board role performance is significantly associated with financial performance of commercial banks in Uganda.

H₂: Credit management is significantly related to financial performance of commercial banks in Uganda.

H₃: Board role performance is significantly associated with credit management of commercial banks in Uganda.

H₄: Credit management mediates the relationship between board role performance and financial performance in commercial banks in Uganda.

1.6 Scope

The scope of the study included: content, geographical and time scope as described below.

1.6.1 Content scope

The study comprised three variables: board role performance, credit management, and financial performance. Board role performance was the independent variable while financial performance was the dependent variable. Credit management served as a mediator in the relationship between board role performance and financial performance of commercial banks.

The study specifically examined the relationship between board role performance and financial

performance, board role performance and credit management, credit management and financial performance, and the mediating role of credit management in the relationship between board role performance and financial performance.

1.6.2 Geographical scope

The research was conducted in Uganda, specifically at the head offices of different commercial banks in Uganda. Commercial banks are the primary providers of financial services in Uganda, accounting for a significant portion of the country's financial intermediation. As of 2024, there were 24 licensed commercial banks in Uganda (Bank of Uganda, 2024). These banks operate across various regions in the country, serving a diverse clientele and contributing to the overall financial landscape. Commercial banks were chosen for this study because evidence suggest that they are currently grappling with poor financial performance causing some of the commercial banks to drop from tier I to tier II while other are closing completely (Bank of Uganda, 2023).

1.6.3 Time scope

The time scope for this study was from 2019 to 2024. This period was suitable because it represented the most recent 5-year period for which comprehensive financial data is available from the commercial banks in Uganda. This resulted in the generation of findings based on the current state of the banking sector in Uganda.

1.7 Significance of the study

The findings of this study may offer practical insights to the managerial team of commercial banks, and supervising authorities and regulators in Uganda's financial sector on how to enhance credit management strategies. Understanding the mediating role of credit management

may help them implement more effective policies and practices that align with their financial goals, ultimately leading to improved profitability and reduced risk.

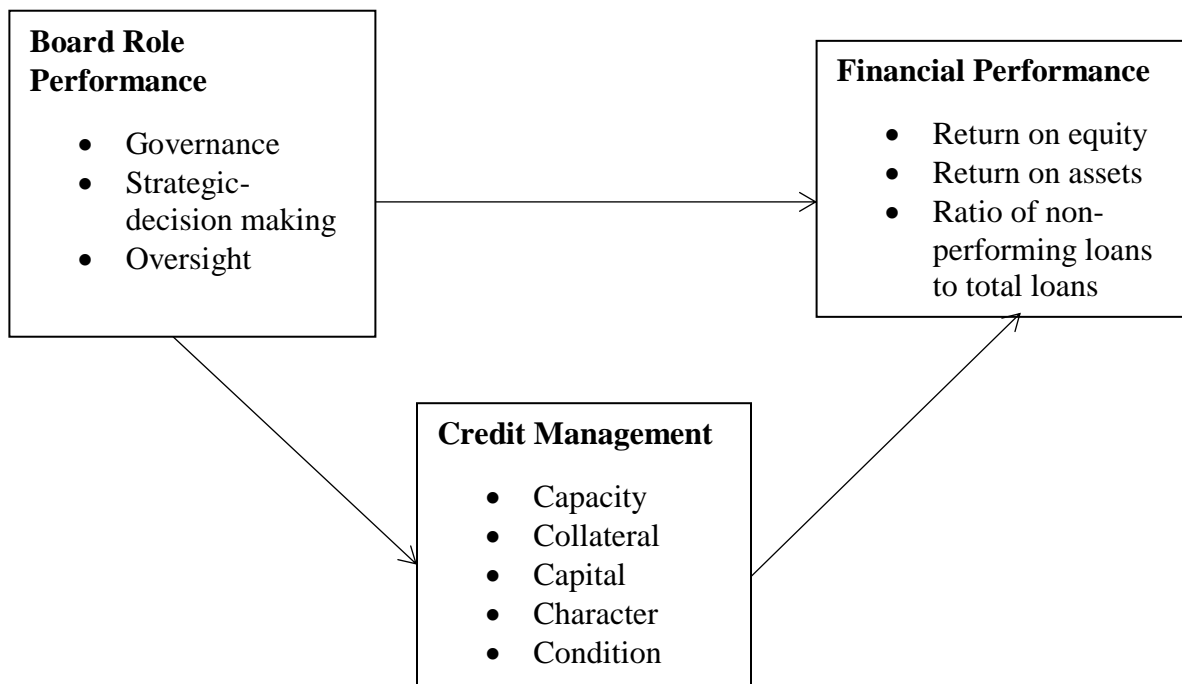
The findings of this research could also inform policymakers and regulatory bodies in Uganda about the importance of sound credit management practices and effective board governance. By highlighting the interconnectedness of these elements, the research may lead to the development of more robust regulatory frameworks that promote better governance and risk management in the banking sector.

The study findings may further be useful to students and future researchers, as it shall contribute to the literature concerning credit management and financial performance of commercial banks in Uganda. By contributing empirical evidence from the Ugandan banking context, the study will enrich the academic discussion on financial management and governance practices in emerging markets.

1.8 Conceptual framework

Independent Variable

Dependent Variable



Mediating Variable

Figure 1-1: Conceptual framework

Source: Adapted from Kagaba and Agaba (2023) and Okwir and Magala (2024) and modified by the Researcher

1.8.1 Description of the conceptual model

The conceptual framework proposed that effective board role performance lays the groundwork for sound credit management practices, which ultimately contribute to positive financial performance for commercial banks. A well-functioning board sets the strategic direction for the bank, influencing the type and amount of credit it extends. This strategic vision can shape the bank's risk tolerance and credit portfolio composition, ultimately impacting financial performance. The five C's of credit management (Capacity, Collateral, Capital, Character, and Condition) act as a bridge between board role performance and financial outcomes. Financial performance is ultimately impacted by the effectiveness of both board role performance and credit management practices. Credit management practices play a mediating role. Board role performance influences the bank's ability to implement these practices, which in turn, directly impact financial performance. Strong board oversight can empower effective credit management, leading to improved financial outcomes.

CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction

This chapter addressed the literature review about the area under study. It discussed the theory that guided this study, the board role and financial performance, credit management and financial performance, Board role performance and credit management, Board role performance, credit management and financial performance as well as a summary of research gaps. The financial performance of commercial banks has always been of importance in the banking sector, particularly in Uganda, where the financial system has played an essential role in economic growth. There are several factors that have influenced the performance of commercial banks, including the role of the board of directors in governance, the effectiveness of credit management practices, and external market conditions. This literature review, therefore, synthesized the literature available on these key aspects to understand the mediating role of credit management.

2.1 Theoretical review

This study was anchored on the Agency theory developed by Jensen and Meckling (1976). This theory focused on the inherent conflict of interest that often occurred between shareholders, who were the principals, and managers, who were regarded as the agents. The theory assumes that managers are not trust worthy and that they need monitoring and over sight to ensure that they work in the best interest of the shareholders. The board of directors, acting as agents of the shareholders, was tasked with ensuring that the management of commercial banks acted in the best interests of the shareholders by maximizing the financial performance of the firm.

In relation to commercial banks, Agency Theory explained how the performance of the board influenced financial performance by overseeing management's decisions, including those related to credit risk and loan approvals. When boards effectively performed their roles and duties in monitoring and controlling management, they helped mitigate potential issues arising from poor credit management. Conversely, ineffective boards resulted in higher levels of non-performing loans (NPLs), which negatively impacted the bank's financial performance (Nyamongo and Tembo, 2021). Therefore, in the context of this theory, the board's role in governance, especially in areas related to risk and credit oversight, was critical to ensuring that management decisions aligned with the best interests of shareholders, thereby enhancing financial performance (Aboagye and Otieku, 2021).

2.2 Conceptual Literature

2.2.1 Board role performance

Board role performance refers to the extent to which the board of directors effectively fulfills its mandated duties in steering and supervising an organization's strategic direction, governance processes, and risk oversight functions (Naheed et al., 2022). Scholars have defined this concept in various ways. Boadi et al (2023) conceptualize board role performance as encompassing three central roles: control, service, and strategy. The control role involves the board's responsibility to monitor and evaluate management actions; the service role pertains to offering counsel and support to executive teams; and the strategic role involves active engagement in shaping long-term organizational goals. Similarly, Callaghan (2016) define board role performance as the board's effectiveness in aligning management behavior with shareholder interests through structured decision-making, strategic input, and accountability mechanisms. These perspectives highlight the board's multidimensional function as both a supervisory body and a strategic asset.

This current study conceptualized board role performance using three dimensions which include oversight, strategic decision-making, and governance as guided by Kagaba and Agaba (2023). These measures were selected for their relevance to the banking sector and their theoretical consistency with board functions as articulated in agency theory. Oversight is a foundational responsibility that involves monitoring management actions, ensuring regulatory compliance, and mitigating agency risks (Jensen & Meckling, 1976). Strategic decision-making reflects the board's role in guiding long-term planning, responding to external threats, and capitalizing on market opportunities (Kyei et al., 2022). Governance, as a broader construct, includes the establishment of ethical standards, policy frameworks, and accountability structures to enhance transparency and institutional integrity (Nicholson & Kiel, 2004). Together, these three dimensions provide a comprehensive framework for evaluating how well the board executes its responsibilities in influencing the financial performance of commercial banks.

2.2.2 Credit management

Credit management refers to the institutional processes and practices employed to assess, approve, monitor, and recover loans to ensure creditworthiness and minimize default risk (Mburu et al., 2020). According to Agaba et al (2022) credit management encompasses the policies and procedures aimed at optimizing the balance between risk and return in lending decisions. Similarly, Kariuki (2017) define credit management as the strategies used to determine the amount of credit to grant, evaluate potential borrowers, and manage outstanding credit to ensure timely repayment and limit exposure to bad debts.

Scholars have measured credit management in different ways across contexts. For instance, Karanja and Simiyu (2022) emphasized risk-based approaches to credit assessment, highlighting the role of credit scoring models and portfolio risk evaluations in modern credit risk management. In contrast, Amoako et al. (2019) measured credit management effectiveness in Ghanaian banks through indicators such as loan appraisal accuracy, repayment enforcement, and delinquency monitoring. In developing countries, where formal credit scoring systems are less prevalent, traditional assessment methods such as the 5Cs of credit which include Character, Capacity, Capital, Collateral, and Conditions are widely used due to their adaptability and qualitative insights (Peavler, 2019; Gitman & Zutter, 2012).

This study adopts the 5Cs framework as the operational basis for measuring credit management in Ugandan commercial banks. Each of the 5Cs captures a distinct yet complementary aspect of lending risk. Character evaluates the borrower's trustworthiness and credit history, serving as a proxy for moral hazard. Capacity refers to the borrower's ability to generate sufficient income to repay the loan, typically assessed through financial statements and cash flow analysis. Capital reflects the borrower's financial investment in the venture or enterprise, signaling commitment and reducing default risk. Collateral offers security to the lender in case of default, and Conditions relate to external factors such as interest rates, regulatory policies, and economic trends that influence repayment behavior (Peavler, 2019; Fatemi & Fooladi, 2006). These measures were used because of its widespread use and applicability in the Ugandan banking context where both formal and informal evaluation mechanisms coexist.

2.2.3 Financial performance

Financial performance refers to the ability of a financial institution to generate returns from its assets and equity while maintaining operational stability and managing associated risks (Cindiyasari et al., 2023). It is a fundamental indicator of institutional health, competitiveness, and sustainability, especially in the banking sector where efficiency, risk exposure, and regulatory compliance are intricately connected (Ahmed, 2019). According to Brigham and Houston (2019), financial performance is the outcome of managerial decisions and strategies reflected in key financial indicators that assess profitability, liquidity, efficiency, and solvency. For commercial banks, these indicators not only reflect internal operational efficiency but also influence investor confidence, regulatory compliance, and strategic positioning in the financial market.

Various scholars have proposed multiple dimensions for measuring financial performance in banks, with consensus around the use of Return on Assets (ROA), Return on Equity (ROE), and Non-Performing Loans to Total Loans (NPLs ratio) as the most reliable and sector-appropriate indicators (Cindiyasari et al., 2023; Karanja & Simiyu, 2022; Ngumo et al., 2020; Xie et al., 2022). ROA measures the efficiency with which a bank utilizes its assets to generate net income, providing insights into operational effectiveness. According to Karanja and Simiyu (2022), ROA serves as a key profitability ratio that indicates how well a bank converts its assets into earnings, typically expressed as net income divided by total assets. ROE, on the other hand, evaluates the return generated on shareholders' equity and is widely regarded as a measure of financial sustainability and value creation for investors. It reflects a bank's capacity to convert equity capital into profits and is especially relevant for assessing governance effectiveness and strategic decision-making (Cindiyasari et al., 2023)

Another critical indicator in the banking industry is the Non-Performing Loans (NPLs) to Total Loans Ratio, which serves as a measure of credit risk and asset quality (Ngumo et al., 2020). In this study, financial performance will be measured using ROA, ROE, and the NPLs to Total Loans Ratio due to their collective ability to capture both profitability and risk exposure which is core to assessing financial performance.

2.3 Empirical literature

2.3.1 Board role performance and financial performance

The strategic direction and regulation of commercial banks were the responsibility of the board of directors, which affected the banks' financial performance (Nyamongo and Tembo, 2021). Agency Theory (Jensen and Meckling, 1976) explained that commercial bank boards served as intermediaries between management and shareholders. As a result, managers were expected to act in the shareholders' best interests. Effective boards monitored executive actions, controlled risks, and provided strategic direction, thereby improving the banks' financial performance (Aboagye and Otieku, 2021). Numerous empirical studies demonstrated a favorable association between financial performance and various board characteristics, including diversity, size, independence, and experience. Larger boards, especially those with diverse expertise, tended to positively influence financial performance. For instance, Owusu and Frimpong (2020) found that larger boards with varied experience enhanced the financial performance of Ghanaian banks. Similarly, in Uganda, effective boards were likely positively associated with financial performance, given the significance of governance in emerging markets (Mabunda and Motsa, 2022).

The current correlation between the performance of commercial banks' boards and their financial outcomes was crucial, particularly in sectors like banking where financial performance

was heavily influenced by governance, risk management, and strategic decision-making. This discussion examines the relationships between financial performance measures such as Return on Equity (ROE), Return on Assets (ROA), and the percentage of non-performing loans (NPLs) to total loans, as well as the essential elements of board role performance: governance, strategic decision-making, and oversight. Governance was the board's primary role in ensuring that the bank was managed in a way that aligned with shareholders' interests, complied with regulations, and maintained transparency. In the banking industry, where risks like credit, operational, and liquidity issues could significantly impact financial stability, effective governance was essential. Strong governance measures implemented by boards ensured that the bank adhered to industry standards for risk management, regulatory compliance, and ethical business practices. Empirical research showed a positive relationship between board governance and financial performance. Boards that upheld strong governance practices generally saw improvements in ROE and ROA because they ensured that management made decisions that maximized shareholder value and optimized asset use (Kinyua and Ndegwa, 2021). Additionally, the ratio of non-performing loans (NPLs) to total loans was directly impacted by the bank's risk management strategies, which well-governed boards ensured. Lower NPL ratios indicated better credit risk management, resulting from governance that promoted prudent lending practices (Owusu and Frimpong, 2020).

Strategic decision-making was another key responsibility of the board. In commercial banks, strategic decisions focused on areas such as product development, market expansion, capital allocation, and risk management strategies. Boards were responsible for approving significant management decisions and ensuring that these decisions aligned with the long-term goals and

financial sustainability of the bank. The active participation of boards in strategic decision-making enhanced the bank's financial performance. Return on Equity (ROE), a key indicator of profitability, was frequently used to assess the effectiveness of the board's strategic direction. A higher ROE indicated that the board's strategic initiatives, such as capital investments and market positioning, were delivering favorable outcomes. Similarly, Return on Assets (ROA) measured how efficiently the bank utilized its assets to generate profits. Boards that made prudent strategic decisions regarding cost control and asset utilization typically achieved better ROA results (Akyeampong and Adjasi, 2020). However, poor strategic decisions could lead to financial underperformance, particularly if the board approved risky ventures without adequate due diligence or failed to assess market risks. Poor lending practices or ineffective credit approval processes could result in a high NPL ratio, highlighting the importance of the board's strategic decision-making role in credit management (Kanu and Ibrahim, 2021).

Oversight referred to the board's responsibility to monitor and evaluate management's actions to ensure that the bank operated efficiently and within the parameters of established policies. In the banking sector, oversight was particularly important in areas such as financial reporting, risk management, and compliance. Financial performance was directly correlated with effective oversight. When boards actively monitored management's performance—particularly in areas such as cost control, risk mitigation, and revenue growth—both ROE and ROA improved. Strong board oversight ensured the bank's smooth operation, minimized resource wastage, and held management accountable for financial results. By closely monitoring financial reporting and risk exposures, boards could identify problems early and implement corrective actions, safeguarding the bank's stability and profitability (Fanta & Makina, 2019). Moreover, managing credit risk, one of the most significant risks faced by commercial banks, required

strong oversight. The NPL ratio was a key indicator of credit risk management effectiveness. Boards that exercised rigorous oversight of credit policies, loan approval processes, and debt recovery strategies generally experienced lower NPL ratios, as they were able to prevent risky lending and ensure timely loan repayments. Conversely, neglect could lead to higher NPL ratios, which reduced both liquidity and profitability (Mabunda & Motsa, 2022).

Empirical research confirmed the positive correlation between financial performance and board role performance. For example, Pathan (2009) found a positive correlation between larger, more independent boards and improved financial performance, as measured by ROE and ROA, in large U.S. banks. Similarly, Aboagye and Otioku (2021) demonstrated that banks with superior governance structures and more experienced boards had better financial performance and lower NPL ratios. In Uganda, Mugume (2023) found that the board's contribution to enhanced credit management was essential to reducing NPLs and improving the profitability of commercial banks. Nkundabanyanga and Ahiauzu (2021) found that board role performance is associated with financial reporting quality in Uganda's financial institutions. Similarly, Tumwebaze et al. (2022) investigated the relationship between board role performance and international financial reporting standards (IFRS) in Uganda, concluding that board role performance is a significant predictor of compliance with IFRS disclosure requirements. Research has also focused on identifying the factors relevant to board role performance in Uganda's service sector firms, including commercial banks. A study by Nalukenge (2019) used a mixed methods approach to explore the currently performed board roles and test the relationship between board role performance and compliance with IFRS disclosure requirements among microfinance institutions in Uganda. The findings suggest that the control role is the most performed board

role and that board role performance is a significant predictor of compliance with IFRS disclosure requirements.

While existing studies examined the relationship between board role performance and various aspects of financial performance, such as financial reporting quality and compliance with IFRS disclosure requirements, there was limited research specifically focusing on the direct impact of board role performance on the overall financial performance of commercial banks in Uganda. Additionally, most studies used substitutions like board size and proportion of non-executive directors to infer board role performance. There was a need for research that directly measures board role performance based on perceptions of effectiveness in governance, strategic decision-making, and oversight functions. Based on the literature review and identified research gaps, the following hypothesis was proposed:

H1 Board role performance is positively and significantly associated with financial performance of commercial banks in Uganda.

2.3.2 Credit management and financial performance

Credit management was the process of issuing credit, adhering to the terms of that credit, and collecting it when due (Bert et al., 2020). The responsibility of controlling credit practices that increased income and lowered financial risks lay with the credit management department within a bank or business. In commercial banks, the credit management function encompassed all efforts to ensure that clients repaid their loans within the specified terms and conditions (Kakuru, 2021). The two biggest risks commercial banks encountered were non-payment and late payment, and effective credit management helped avert these issues. Nduwayo (2020) emphasized that to manage credit effectively, it was necessary to understand the process, adhere to it, and set “credit limits,” defining the maximum amount and duration of credit extended to

both new and current customers. Angelo et al. (2019) argued that the bank's credit management department was responsible for ensuring that credits were collected on time, that early intervention occurred if a client showed signs of default, and that overdue credits were aggressively pursued to prevent losses. They concluded that effective credit management was crucial to strengthening a bank's financial or liquidity position. Credit risk control, capital sufficiency, and credit policy were key aspects of credit management in this study.

Banking performance, as Gatuhu (2019) described, was the evaluation of both financial and non-financial outcomes stemming from the bank's activities and policies. Turyahebwa (2020) noted that in the financial industry, performance referred to the capacity of a business to operate effectively, profitably, and sustainably, while responding to external opportunities and risks. Pandey (2019) similarly explained that a bank's performance was gauged by how well it utilized its resources to achieve goals. Investopedia (2021) added that financial performance was a subjective measure of how effectively a company generated money from its core business and assets. It also served as a metric for comparing similar companies within an industry or across different industries over a given period. Financial performance could be measured in various ways, often using metrics like revenue from operations, operating income, or cash flow from operations.

Furthermore, Tucker (2020) suggested that analysts or investors might delve deeper into financial records to assess decreasing debt or growth margins. According to Business Dictionary (2020), financial performance was a critical component of finance risk management, representing the extent to which financial objectives were achieved. It also referred to how a firm's operations and policies were quantified monetarily, enabling assessment of overall

financial health over time. The Return on Equity (ROE) was the financial performance metric used in this study to measure the performance of commercial banks in Uganda.

Effective credit management was essential for commercial banks to remain stable and profitable (Kithinji, 2020). One of the primary risks banks faced was credit risk, which resulted from loan defaults. Poor credit management led to reduced liquidity, increased Non-Performing Loans (NPLs), and ultimately weak financial performance (Brownbridge, 2019). Nzotta (2020) emphasized that effective credit management involved assessing borrowers' creditworthiness, setting appropriate credit limits, and monitoring loan performance. Research indicated that banks with robust credit risk management systems generally had stronger financial results. For instance, Kargi (2021) found that good credit risk management practices significantly lowered NPLs and increased bank profitability in Nigeria. Credit management was also considered critical for the survival and profitability of Ugandan commercial banks, where NPLs had been a recurring issue (Mugume, 2021). Uganda's banking industry faced significant challenges with credit risk and NPLs, which negatively affected its overall financial performance (Bategeka and Okumu, 2020). Several banks had experienced numerous loan defaults, which hurt their liquidity and profitability. Though the Bank of Uganda implemented regulatory measures to improve credit risk management, the effectiveness of these measures often depended on the governance frameworks within individual banks (Mugume, 2021).

To address these issues, board supervision of credit risk, enforcement of regulatory standards, and the cultivation of a risk-averse culture within the bank were essential. Given the critical importance of credit risk in Uganda's banking sector, the board's ability to oversee credit-related decisions significantly impacted financial outcomes. Boards could mitigate credit risk and improve overall financial performance by ensuring that banks adhered to robust credit

management procedures. Therefore, the relationship between board performance and financial performance in Uganda's commercial banks was likely mediated by credit management.

Banks typically considered the five Cs of credit capacity, collateral, capital, character, and condition when determining a borrower's creditworthiness. These factors directly influenced a bank's financial performance and played a key role in managing credit risk. Financial performance measures like ROE, ROA, and NPL ratios were critical for commercial banks. The interaction between the five Cs and these financial metrics mainly occurred through their effects on profitability, risk exposure, and the quality of loans issued.

Capacity referred to the borrower's ability to repay a loan based on cash flow and income. From the bank's perspective, assessing capacity ensured that borrowers could meet their repayment obligations. Loans granted to borrowers with strong repayment capabilities lowered the risk of default, directly reducing the NPL ratio. A lower NPL ratio indicated sound credit management, which enhanced profitability and asset quality, improving ROE and ROA. Conversely, lending to borrowers with weak creditworthiness raised default rates and increased the NPL ratio, harming financial performance. Banks with more robust credit evaluation processes and better lending portfolios consistently performed better financially (Kargi, 2021).

Collateral acted as security for the loan, enabling the bank to recover part of the loan if the borrower defaulted. Collateral reduced lending risk and contributed to improved financial performance by lowering the NPL ratio, which in turn enhanced ROE and ROA. Banks that focused on lending against high-quality collateral were less exposed to credit losses, ensuring more stable credit portfolios and increased profitability. However, collateral could sometimes be overvalued or difficult to liquidate, particularly during market downturns, which could still lead to higher NPL ratios (Brownbridge, 2019).

Capital referred to the borrower's financial reserves and equity commitment to the loan. Banks assessed borrowers' capital to evaluate their ability to absorb losses during economic downturns. A borrower with strong capital was less likely to default, reducing the NPL ratio. Since these borrowers were less dependent on loans for survival, they lowered the bank's risk exposure, improving ROE and ROA through reduced loan losses. Additionally, a strong capital buffer indicated financial stability and fewer default risks. Adequate capital reserves within the bank also played a crucial role in managing credit risk and mitigating potential loan losses (Muriithi and Waweru, 2021).

Character described the borrower's reputation, integrity, and credit history. Banks used credit histories and references to assess borrowers' reliability. A borrower with strong character had a lower likelihood of defaulting, reducing NPL ratios and improving ROE and ROA. Lending to individuals or businesses with a solid reputation minimized credit risk, leading to greater profitability by reducing bad loans. Poor credit assessments based on character could increase loan defaults and NPL ratios, negatively affecting financial performance (Nzotta, 2020).

Condition referred to external factors such as the state of the economy, industry-specific risks, and regulatory changes that impacted borrowers' repayment ability. Favorable economic conditions enabled borrowers to meet their loan obligations, lowering NPL ratios and improving ROE and ROA. During economic downturns, however, businesses faced challenges such as reduced income and higher costs, which increased NPLs. As a result, higher NPL ratios forced banks to allocate more provisions for loan losses, diminishing profitability (Brownbridge, 2019). Therefore, understanding economic and industry-specific conditions was crucial for banks to manage credit risks and maintain solid financial performance.

According to S&P Global (2024), banks in North America and Europe have increasingly adopted sophisticated credit risk assessment methodologies, which include advanced data analytics and machine learning techniques. These innovations enable banks to better evaluate borrowers' creditworthiness, thereby reducing default rates and enhancing profitability. The report emphasizes that banks with robust credit management frameworks are more resilient to economic downturns, as they can swiftly adapt to changing market conditions. A study by Dimitrijevic et al. (2024) indicated that effective credit management was strongly correlated with improved financial performance in European banks. The authors found that institutions employing comprehensive credit risk management strategies experienced lower levels of non-performing loans (NPLs) and higher returns on equity (ROE). This underscores the critical role of credit management in sustaining profitability and ensuring long-term financial health. Kaazara and Agaba (2023) conducted a study on financial institutions in Uganda, which revealed that effective credit appraisal, administration, and monitoring significantly enhance financial performance. The findings indicated that banks that implement robust credit management practices experience lower levels of non-performing loans (NPLs) and improved profitability metrics.

Similarly, Kayaga (2023) examined the impact of credit management on financial institutions in Mukono District, Uganda. The study found that increasing NPLs negatively affected profitability, as banks incurred higher collection costs and faced challenges in meeting financial targets. The research emphasized the importance of credit terms and client appraisal techniques in reducing NPLs and improving overall bank performance. Furthermore, a broader analysis of credit risk management and financial performance by Okwir and Magala (2024) indicated that effective credit risk management practices are essential for enhancing the financial stability of

commercial banks in Uganda. The study underscored that banks with well-defined credit policies and rigorous monitoring mechanisms are better positioned to manage risks and achieve favorable financial outcomes.

Despite the existing literature, there were notable gaps that warranted further investigation. Most of the research was limited to case studies of individual banks, which may not capture the broader trends and challenges faced by the entire banking sector in Uganda. Moreover, there was a lack of empirical evidence linking credit management practices directly to financial performance metrics such as ROE and ROA across a wider range of commercial banks. This gap highlighted the need for more extensive research that examines the interconnectedness of various credit management practices and their cumulative impact on financial performance. Based on the literature review and identified research gaps, the following hypothesis was proposed:

H2. Credit management is positively and significantly linked to financial performance of commercial banks in Uganda.

2.3.3 Board role performance and credit management

The efficiency of credit management could act as a mediator in the relationship between board role performance and financial performance. Through their supervisory and strategic decision-making responsibilities, boards of directors influenced banks' risk-taking behavior, particularly in credit risk management (Muriithi and Waweru, 2021). It was more likely that boards performing well in governance would ensure management adhered to sound credit management procedures. Consequently, this reduced credit risk and improved the financial performance of banks (Kanu and Ibrahim, 2021). Empirical evidence supported the idea that credit management might mediate the relationship between governance and financial outcomes. For instance,

Ahsan and Memon (2021) found that banks with strong governance frameworks and robust credit management practices generally exhibited better financial performance. Similarly, Mwangi and Waweru (2022), in their study of Kenyan banks, emphasized the role of credit risk management in mediating profitability and corporate governance. In Uganda's context, where banks have faced challenges with non-performing loans (NPLs) and needed stricter board oversight, credit management played a critical mediating role (Mugume, 2021).

Effective credit risk management relied on the interaction between the 5 Cs of Credit; Capacity, Collateral, Capital, Character, and Condition and the governance, strategic decision-making, and oversight processes of commercial banks. Governance activities directly affected how banks assessed and managed credit risk, which in turn impacted the quality of their loan portfolios, financial stability, and overall risk exposure. Each of these governance tasks influenced how the 5 Cs were applied during the credit appraisal process and ultimately how effectively a bank could manage credit risk and maintain profitability.

Governance, referring to the systems and procedures supervised by the board of directors to guide and control banks, played a key role in ensuring adherence to regulatory standards, transparency, and ethical decision-making throughout the loan approval process. Good governance ensured that standardized methods for assessing borrowers' repayment abilities were established. Banks with sound governance had robust risk management frameworks that accurately evaluated borrowers' cash flows, income, and repayment capacities (Adams and Mehran, 2019). Governance also dictated appropriate standards for collateral and ensured that proper valuation and risk assessments were in place to verify the reliability and liquidity of collateral (Brownbridge, 2019). Such governance structures enforced policies aimed at mitigating collateral risks, reducing credit exposure in case of default.

Governance influenced the capital that borrowers were expected to contribute to loans. In well-governed banks, clear policies prioritized borrowers with substantial equity contributions, thereby reducing the bank's risk exposure. Additionally, effective governance ensured that the bank maintained sufficient capital reserves to absorb potential losses from bad loans (Muriithi and Waweru, 2021). Governance frameworks also required thorough assessments of borrowers' credit histories, reputations, and track records to maintain credit quality. Boards ensured transparency in the character evaluation process (Nzotta, 2020). Governance further ensured that macroeconomic conditions, industry-specific risks, and regulatory changes were considered during credit assessments. Governance policies promoted risk aversion by encouraging decisions that factored in the broader economic environment (Mwangi and Waweru, 2022).

Strategic decision-making in banking, involving long-term planning and resource allocation, also affected the 5 Cs of credit. The board and senior management made strategic decisions regarding credit policy, risk tolerance, and market positioning, which directly influenced how the five Cs were assessed. For example, strategic decisions determined the types of borrowers the bank would target, influencing capacity evaluations. Banks that prioritized lending to corporate clients with strong repayment capacities or individuals with solid credit histories tailored loan terms to suit their capacities (Mwangi and Kamau, 2023). Additionally, strategic decisions shaped the types of collateral the bank accepted, with riskier industries requiring more liquid or higher-value collateral (Ahsan and Memon, 2021).

Strategic decision-making also determined the capital requirements for borrowers and the bank's reserves for loan losses. For instance, banks might increase capital requirements during economic downturns to ensure borrowers had sufficient equity at stake. Similarly, strategic

decisions influenced how much capital banks retained to protect against potential loan defaults (Muriithi and Waweru, 2021). These decisions shaped how the bank evaluated borrowers' characters, whether focusing on long-standing customer relationships or assessing new clients with limited credit histories. Strategic decisions concerning market entry or exit also influenced how external factors were considered during credit assessments (Brownbridge, 2019).

Oversight involved monitoring and reviewing the bank's credit activities to ensure compliance with internal policies and regulations. Boards played a critical role in overseeing how the 5 Cs were applied, ensuring management followed best practices in credit risk management. Loan officers, under the board's supervision, ensured that capacity assessments adhered to the bank's standards and that credit decisions were based on thorough evaluations. Regular audits and reviews contributed to the objectivity and thoroughness of capacity evaluations (Aebi, Sabato, and Schmid, 2020). The board's oversight responsibilities included monitoring collateral valuation practices to ensure collateral was properly documented, appraised, and legally secured, reducing the risk of overvalued or insufficiently liquid collateral (Nzotta, 2020).

The board also enforced capital adequacy requirements for both borrowers and the bank itself. The board oversaw the bank's capital structure to ensure management maintained sufficient capital reserves in line with legal and risk management requirements. Such oversight prevented excessive risk-taking that could jeopardize the bank's financial stability (Kanu and Ibrahim, 2021). Additionally, the board ensured that borrower character was consistently and thoroughly assessed by overseeing the use of credit history checks, reputation evaluations, and compliance with know-your-customer (KYC) standards (Mwangi and Kamau, 2023). The board also monitored how management evaluated external conditions, such as economic trends and

regulatory changes, ensuring that credit decisions were responsive to changing market conditions (Mugume, 2021).

A study by Nalukenge (2020) found that board role performance is a significant predictor of compliance with IFRS disclosure requirements among microfinance institutions in Uganda. The research emphasized the control role as the most performed board function and its importance in enhancing compliance with reporting standards. This suggests that effective board oversight and monitoring can lead to improved practices in financial institutions. Similarly, Tumwebaze et al. (2022) documented that board role performance is significantly associated with internet financial reporting in Uganda. This finding underscores the role of the board in ensuring transparency and accountability in financial reporting, which is closely linked to credit management practices. Furthermore, Nkundabanyanga and Ahiauzu (2021) established that board role performance is associated with financial reporting quality in Uganda's financial institutions. While not directly focused on credit management, this study highlights the broader influence of board effectiveness on various aspects of financial management, which can have implications for credit practices.

Despite the existing literature on board role performance and its relationship with financial reporting, compliance, and overall management, there is a notable gap in research directly examining the link between board role performance and credit management in Ugandan commercial banks. Most studies focused on specific aspects of financial management or were limited to the microfinance sector, leaving a need for more comprehensive research in the commercial banking context. Moreover, there was a lack of empirical evidence quantifying the direct impact of board role performance on credit management practices and outcomes, such as non-performing loans (NPLs) and credit portfolio quality. This gap highlighted the need for

research that establishes the strength and significance of the relationship between these two critical components of bank management. Based on the literature review and identified research gaps, the following hypothesis was proposed:

H3. Board role performance is positively and significantly linked to credit management of commercial banks in Uganda.

2.3.4 Board role performance, credit management and financial performance

The sustainability and profitability of commercial banks depend heavily on the interplay among board role performance, credit management, and financial performance. The board is critical in governance, monitoring, and strategic decision-making, all of which directly affect how credit risk is managed. Effective credit management ensures a stable loan portfolio, reducing non-performing loans (NPLs), which in turn positively impacts financial performance. Below is a detailed discussion of the relationships among these components

Board role performance refers to how well the board fulfills its governance, oversight, and strategic decision-making responsibilities. In commercial banks, credit management is one of the key areas where board performance is essential. Credit management involves evaluating, monitoring, and mitigating the risks associated with lending activities. The board is responsible for ensuring that the bank's lending practices, credit policies, and risk management systems are well-developed and comply with both internal and regulatory standards.

The board establishes the bank's risk tolerance levels, including the amount of risk it is willing to take on in its lending operations. The establishment of strong credit policies and frameworks ensures that credit risk is properly managed. Poor governance or oversight can lead to excessive risk-taking in credit management, increasing the risk of NPLs and financial losses (Jensen and Meckling, 1976). Through strategic decision-making, the board approves major credit-related

decisions, such as taking on significant loan risks or entering new markets. Responsible strategic decisions, such as prioritizing risk diversification and prudent lending practices, help maintain a healthy loan portfolio. Conversely, decisions that promote aggressive lending without thorough credit checks may heighten credit risk and lead to poor financial performance (Katusiime, 2021).

Board oversight ensures the proper implementation of credit management policies. This includes monitoring loan performance, reviewing credit risk data, and ensuring corrective actions are taken when credit quality deteriorates. Effective oversight helps prevent the accumulation of NPLs and ensures continuous credit risk management that aligns with the bank's strategic objectives (Aebi, Sabato, and Schmid, 2012). In summary, strong board performance ensures robust credit management practices that align with the bank's risk appetite, ultimately improving financial performance.

Since loans are a primary source of income for commercial banks, credit management is essential for financial performance. Effective credit management involves evaluating borrowers' creditworthiness, setting appropriate credit limits, and monitoring loan repayment performance. Key elements of credit management, such as credit risk assessments, loan portfolio monitoring, and loan approval procedures, directly affect a bank's profitability and stability.

One major goal of credit management is minimizing Non-Performing Loans (NPLs). NPLs are loans that are overdue or in default, which negatively impact a bank's profitability and liquidity. Effective credit management reduces the incidence of NPLs by ensuring that loans are granted to creditworthy borrowers and by taking proactive measures when loan performance weakens (Sanderson et al., 2025).

Return on Assets (ROA), a measure of how effectively a bank uses its assets, is also influenced by credit management. A well-managed loan portfolio with a low NPL ratio ensures that the bank's assets operate at peak efficiency, which boosts ROA. Conversely, a high NPL ratio suggests that a significant portion of the bank's assets consists of non-performing loans, reducing ROA and overall profitability (Brownbridge, 2019). Return on Equity (ROE), which indicates the return generated for shareholders, is similarly impacted by credit management. Effective credit risk management reduces defaults and ensures consistent interest income, enhancing profitability and shareholder returns (Muriithi and Waweru, 2021). Poor credit management, on the other hand, results in higher loan losses, reduced profitability, and lower ROE.

The board's governance, strategic decision-making, and oversight directly impact a bank's financial performance, particularly in credit management. ROE improves when the board enforces sound credit policies and credit risk management, ensuring consistent profitability. Weak governance or oversight can lead to financial losses due to rising NPLs, which in turn lower ROE (Adams and Mehran, 2019). ROA is similarly improved by strong board governance, which ensures prudent asset management, particularly in loan portfolios. When the board oversees the application of sound lending practices, the bank's resources are used more efficiently, boosting ROA (Katusiime, 2021). Finally, the board plays a crucial role in overseeing credit management practices that control the NPL ratio. Boards that fail to provide adequate oversight or encourage aggressive lending without proper risk assessments often see higher NPL ratios, negatively affecting financial stability (Brownbridge, 2019).

The relationship between board role performance, credit management, and financial performance is cyclical and interconnected. The board's performance in establishing

governance frameworks, making strategic decisions, and overseeing credit policies directly affects credit management effectiveness. In turn, effective credit management leads to improved financial outcomes by lowering credit risk and boosting metrics like ROE, ROA, and NPL ratios. When the board has clear governance structures and rigorously monitors credit practices, the risk of financial distress caused by rising NPLs decreases, helping maintain a healthy loan portfolio. Good credit management ensures consistent returns for the bank, which improves overall financial performance (Jensen and Meckling, 1976).

The board's strategic decisions about loan portfolio diversification, risk tolerance, and credit exposure shape the outcomes of credit management. Well-considered decisions lead to balanced lending practices that reduce risk and enhance profitability. Poor credit evaluations, such as those associated with entering high-risk markets, can lead to increased defaults and weakened financial performance (Rakatenda & sedana, 2021). Financial performance metrics like NPL ratios, ROE, and ROA serve as feedback mechanisms indicating how well the board is performing and how effectively credit management is being conducted. Positive financial outcomes suggest that the board's governance and oversight functions are being carried out successfully, while poor financial performance points to deficiencies in governance and credit risk management (Karanja, 2022).

Board role performance is linked to financial reporting quality in Uganda's financial institutions, suggesting that strong governance can enhance transparency and accountability, which are crucial for sound credit management (Nkundabanyanga & Ahiauzu, 2021). Furthermore, Tumwebaze et al. (2022) documented a significant relationship between board role performance and compliance with International Financial Reporting Standards (IFRS) among microfinance institutions in Uganda. This highlights the board's role in ensuring that

financial practices align with regulatory requirements, which can directly impact credit management policies and practices.

Effective credit management is vital for minimizing credit risk and ensuring the profitability of financial institutions. Robust credit management practices lead to improved financial performance, as they reduce the incidence of non-performing loans (NPLs) and enhance profitability metrics such as Return on Assets (ROA) and Return on Equity (ROE) (Kazaara & Agaba, 2023). Moreover, research has shown that the quality of credit management is significantly influenced by board governance. For example, Kayaga (2023) highlighted that effective board oversight can lead to better credit appraisal processes and loan monitoring, thereby improving overall financial performance. This connection underscores the importance of strong board governance in shaping effective credit management practices. Studies have consistently shown that effective credit management practices contribute to improved financial performance. Okwir and Magala (2024) found that banks with well-defined credit policies and rigorous monitoring mechanisms are better positioned to manage risks and achieve favorable financial outcomes.

While studies have examined the individual relationships between board role performance, credit management, and financial performance, there was limited research that explicitly explores the mediating role of credit management in the relationship between board role performance and financial performance. Most existing studies focused on specific aspects of governance or credit practices without providing a comprehensive view of how these elements interact to influence financial outcomes. Based on the literature review and identified research gaps, the following hypothesis was proposed:

H4. The mediating role of credit management on board role performance has a positive significant link on financial performance of commercial banks in Uganda.

2.4 Summary of research gaps

The study concluded by aligning with similar research conducted in other nations, such as Oludhe (2019), who examined the relationship between credit risk management and the financial performance of banks in Kenya, and Uwalomwa (2020), who explored the link between credit management and financial performance in 10 listed Nigerian banks. Likewise, Nduwayo (2021) sought to understand the connection between loan management and the financial performance of commercial banks in Rwanda. However, none of these studies clearly established the role of international standards, particularly regarding banks' capital management as set by the Bank for International Settlements, which was critical for understanding the financial performance of commercial banks in Uganda and globally.

To the best of the researcher's knowledge, most studies on credit management and financial performance in Uganda focused primarily on microfinance institutions, neglecting the commercial banking sector, which constituted a significant portion of the nation's financial system. This study aimed to fill that critical gap by examining how loan management affected the performance of Ugandan commercial banks.

One significant gap was the limited knowledge of credit management's mediating role. While existing literature highlighted the importance of financial success and board role performance, few empirical studies examined the mediating role of credit management in commercial banks, particularly in Uganda. More research was needed to explore how credit management influenced the relationship between board performance and financial outcomes. Without such exploration, the full impact of credit management on overall bank performance remained

underexplored. Kanu and Ibrahim (2021) emphasized the need for more comprehensive studies to address this gap.

Another notable research gap pertained to contextual variations in governance practices. Most studies on governance and financial performance were based on developed markets, leaving emerging markets like Uganda relatively unexplored. The distinct regulatory, economic, and cultural factors that influenced governance practices in Ugandan banks were not well understood. This created a gap in understanding how these contextual factors affected both board performance and credit management in local settings. Without localized research, governance strategies might not fully address the unique challenges faced by Ugandan commercial banks. Mwangi and Waweru (2022) stressed the importance of context-specific research to enhance governance practices in emerging markets.

Additionally, the impact of economic conditions on credit management was not sufficiently researched. There was a lack of empirical evidence on how external economic factors, such as inflation and recessions, affected credit management procedures and subsequently financial performance. Muriithi and Waweru (2021) pointed out that further research was required to investigate how macroeconomic factors influenced credit risk management within the context of board governance.

The relationship between board governance and credit management procedures in conjunction with each of the five criteria of credit (capacity, collateral, capital, character, and condition) had not been adequately examined. Research on this interaction could provide insights into how best practices for governance structures could improve credit risk assessment and management. As emphasized by Ahsan and Memon (2023), understanding these relationships was crucial for developing effective governance frameworks that could mitigate credit risk.

Lastly, there was a pressing need for longitudinal research on board performance and financial outcomes. Most existing studies were cross-sectional and provided only a snapshot of the relationships between credit management, financial performance, and board performance. Longitudinal research could offer a more comprehensive understanding of how changes in board governance impacted credit management and, ultimately, financial success over time. Kargi (2021) suggested that ongoing evaluation of governance practices was essential for adapting to the dynamic financial landscape.

CHAPTER THREE: RESEARCH METHODOLOGY

3.0 Introduction

This chapter outlines the research methods used to investigate the mediating role of credit management in the relationship between board role performance and financial performance of commercial banks in Uganda. Specifically, this section entails the research design, study population, sample size and sampling strategy, data collection method, reliability and validity, measurement of variables, data analysis plan, and ethical considerations

3.1 Research design

A research design is a blueprint that provides the overall strategy for conducting the study (Creswell, 2017; Creswell, 2018). The study adopted a cross-sectional research design and a quantitative approach. A cross-sectional research design involves collecting data from respondents once in a snapshot (Creswell, 2017). This research design was used because it captures the current picture of the relationship between variables captured in order to make inference and draw conclusions (Bryman, 2020). Also, the study used a quantitative approach. The quantitative approach was used because it enables the researcher to draw conclusions from the study findings using statistics (Neuman, 2019).

3.2 Study population

Saunders, Lewis and Thornhill (2019) define a study population as the population of interest a researcher intends. The study targeted the 24 commercial banks in Uganda namely; Access Bank Uganda, Absa Bank Uganda Limited, Bank of Africa Uganda Limited, Bank of Baroda Uganda Limited, Bank of India Uganda Limited, Cairo Bank Uganda, Centenary Bank, Citibank Uganda, DFCU Bank, Diamond Trust Bank, Ecobank Uganda, Equity Bank Uganda Limited, Exim Bank Uganda, Housing Finance Bank, IandM Bank Uganda, KCB Bank Uganda

Limited, NCBA Bank Uganda, PostBank Uganda, Salaam Bank Uganda, Stanbic Bank Uganda Limited, Standard Chartered Uganda, Tropical Bank, and United Bank for Africa Bank of Uganda (2024). This constituted the unit of analysis. Additionally, in each bank, the study targeted the Chief Finance Officer (CFO), Bank Manager, Auditor, Accountants, credit risk manager, and the loan officers. This constituted the unit of inquiry.

3.3 Sample size and sampling strategies

The sample size is a subset of the study population (Creswell, 2018). Sampling strategies on the other hand are the ways through which the sample is to be accessed (Creswell and Creswell, 2018). The study did not sample but rather used census approach. This is where data is collected from all the elements of the target population (Jackson, 2021). According to Kothari (2004), a census is most appropriate when the population size is small and well-defined, as it eliminates sampling errors which would be encountered using other sampling techniques such as simple random sampling.

3.4 Data collection methods and tool

Data was collected using a questionnaire method through a structured questionnaire designed to gather quantitative data on board role performance, credit management practices, and financial performance metrics. The structured questionnaire allows for the collection of standardized data that can be quantitatively analyzed, ensuring that the findings are reliable and valid (Kothari, 2019). The questionnaire was distributed to the selected employees within the selected banks. The researcher first contacted them and explained the purpose of the study and the benefits of their involvement. They later received an email version of the data collection instrument and informed consent form and a request to set a date for an appointment to collect the data.

3.5 Data quality control

3.5.1 Validity

Validity refers to the extent to which a research instrument accurately measures what it is intended to measure (Creswell & Creswell, 2018). To establish validity in this study, the questionnaire was reviewed by subject matter experts, including the research supervisor and a senior research consultant, to assess its effectiveness in capturing relevant data. Their feedback was used to improve question clarity, remove ambiguities, and ensure alignment with the study objectives

3.5.2 Reliability

Reliability refers to the consistency of research results, meaning that the same study should yield similar outcomes if repeated under identical conditions (Creswell & Creswell, 2018). In this study, reliability was ensured by developing a structured questionnaire based on key information from the literature review and previous similar studies. To enhance reliability, the questionnaire was carefully designed with clear, unambiguous questions to minimize respondent bias and ensure consistency in responses. Additionally, a pilot test was conducted to assess the consistency of responses across different participants. The pilot study was conducted in three tier II banks (BRAC, Opportunity Bank, and ABC capital bank). These were chosen because they possess similar characteristics to those of commercial banks. The results from the pilot study were analyzed using the Cronbach's alpha coefficient. The results are shown in the table below;

Table 3.1: Reliability and validity results

	No. of Items	Cronbach's Alpha	Content Validity Index
Board role Performance	16	.787	.883
Credit Management	22	.801	.805
Financial Performance	07	.775	.783

Source: Primary Data, 2025

Based on the results in table 3.1 above, the Cronbach's Alpha values for board role performance, credit management, and financial performance were greater than .70. this implies that the tool was judged reliable according to Smith and Smith(2018) who argued that a threshold of .70 is adequate. Also, all the variable passed the CVI test scoring above the .75 threshold suggested by Surucu and Maslakoi (2020)

3.6 Measurement of Variables

Board role performance was measured using governance, strategic decision marking, and oversight in accordance Bhagat & Bolton (2008). The researcher used questions such as *the board effectively monitors the bank's financial performance*. Credit management was measured using the 5Cs of credit management which include Capacity, character, Capital, Collateral, and condition. The researcher used questionnaire items such as *the bank carefully assesses the character of the borrower before giving them credit*. Furthermore, financial performance was measured using ROA, ROE, and Ratio of NPLs to TLs. Items such as *The bank has sufficient mechanisms such as insuring loans to mitigate risk* were used to measure financial performance. Board role performance was measured using 16 items, credit management using 22 item, and financial performance using 7 items. Also, a 5- point Likert scale was used to measure the items on the Questionnaire where respondents were asked to assess their level of agreement with the

statement in the questionnaire. It included a scale of strongly agree, agree, not sure, disagree and strongly disagree.

3.7 Data collection Procedure

After approval of the data collection tool, the researcher sought permission from the faculty of management sciences at Busitema University to introduce him to the field. The introduction letter was used in the various commercial banks to introduce the researcher to the organisations for data collection. Questionnaire were self-administered to the target respondents. The respondents were given up to one week to fill in the questionnaire after which the researcher picked the responses for data analysis.

3.8 Data analysis

After data collection, the dataset was systematically sorted, arranged, and cleaned to ensure accuracy and completeness before analysis. Data analysis was conducted using SPSS v22 (Statistical Package for the Social Sciences). The responses were aggregated at the unit of analysis level to facilitate meaningful interpretation. Descriptive statistics such as mean and standard deviation were utilized to summarize the demographic characteristics of respondents and key study variables, including frequencies and percentages for categorical data. To test the proposed hypotheses, inferential statistical techniques such as correlation and regression analysis were applied, providing insights into relationships among variables in the study. In order to measure the strength and direction of associations among variables, correlation analysis will be used (Byrne, 2002). This method was used because it offers a foundation for other statistical analysis to take place (Creswell, 2014). Additionally, the researcher used regression analysis to determine the predictive influence of managerial competence and change management practices on project cost management (Creswell & Creswell, 2018). This statistical method was used because it is able to examine the predictive power of the

independent variables on the dependent variable (Mohajan, 2017). Additionally, to examine the mediation role of credit management in the relationship between board role performance and financial performance, the researcher followed the guidelines of Baron and Kenny (1986) and used Hayes's Process Macro v4 in SPSS. This approach necessitated several regression analyses. First, demonstrating a significant relationship between the independent variable (board role performance) and the dependent variable (financial performance), Secondly, establishing a significant relationship between the independent variable (board role performance) and the proposed mediator (credit management), and third, showing a significant relationship between the mediator (credit management) and the dependent variable (financial performance) while controlling for the independent variable. Finally, mediation would be evidenced if the direct effect of board role performance on financial performance significantly reduced or became non-significant when credit management was included in the model. Hayes's Process Macro v4 in SPSS was utilized to perform these analyses, offering a robust method for testing mediation effects.

3.9 Ethical considerations

Ethical considerations were prioritized throughout this research. The following measures were taken to adhere to ethical considerations:

Participants were informed about the purpose of the study, their right to withdraw at any time, and the confidentiality of their responses. Written consent was obtained before data collection. All data collected was treated with strict confidentiality, and individual responses were disclosed in any reports or publications. The study sought approval from relevant regulatory bodies and institutional review boards to ensure compliance with ethical research standards. The research process, including methodology and findings, were transparently reported to allow

for scrutiny and replication by other researchers. Any potential conflicts of interest were declared to ensure that the research was conducted impartially

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, AND INTERPRETATION OF FINDINGS

4.0 Introduction

This chapter presents the findings of the study. It provides information on the response rate, demographic information, correlations, and regression results.

4.1 Response rate

The study targeted 24 commercial banks and 144 respondents. Out of the 24 commercial banks, only 21 participated. A response rate at the level of Unit of analysis was 87.5%. According to Holtom et al., (2022), a response rate of 50% and above is considered adequate for a researcher to make inference.

Table 4.1: Response rate

	Unit of Analysis
Expected Responses	24
Actual Responses	21
Response Rate (%)	87.5%

Source: Primary data (2025)

4.2 Demographic characteristics

Information on selected demographic information (years of experience in the banking sector and educational background) was obtained to get to know who the participants were and assess their credibility professionally.

The findings from table 4.2 above indicate that Males constitute 77% (94) of the sample, while females account for 23% (28). While this depicts gender imbalance, it depicts that the views of both female and male respondents were captured in this study thereby increasing the generalizability of the findings. Also, the findings indicate that the largest group of respondents is those aged 31-40 years (63.1%), followed by those aged 40 and above (32.8%), and the least

represented is the 20- 30 years’ group (4.1%). The predominance of respondents aged 31-40 suggests the sample largely consists of individuals in mid-career with vast experience in decision-making. Finally, the majority of respondents hold a bachelor’s degree or more (91.8%) with only 8.2%. The high levels of education among respondents suggest that they have vast knowledge of financial and credit management principles which are required to enhance decision-making quality and consequently financial performance. Additionally, the findings reveal that the majority of participating banks are foreign owned (71.4%), followed by locally owned banks (23.8%), while government-owned banks represent the least. This ownership distribution highlights the dominance of foreign investment in the banking sector which may influence governance practices, credit management standards, and ultimately financial performance given the diverse regulatory, operational, and strategic approaches associated with each type of ownership.

Table 4.2: Demographic Characteristics

Demographics	Frequency	Percent (%)
Gender		
Male	94	77.0
Female	28	23.0
Sub Total	122	100
Age		
20 - 30	5	4.1
31 - 40	77	63.1
41 - and above	40	32.8
Sub Total	122	100
Position held		
CFO	19	15.6
Bank Manager	20	16.4
Loan Officer	36	29.5
Finance manager	19	15.6
Accountant	17	13.9
Auditor	11	9.0
Sub Total	122	100
Education Level		
Diploma	10	8.2
Bachelors	56	45.9
Masters	51	41.8
PhD	05	4.1

Sub-Total	122	100
Ownership		
Government owned	01	9.5
Foreign owned	15	71.4
Locally owned	05	23.8
	21	100%

Source Primary Data, 2025

4.3 Correlation results

In order to establish the strength and direction of the relationship between Board role performance, credit management, and financial performance, Correlation analysis was conducted using Pearson’s Correlation coefficient (r). The results of the analysis are shown in the table below.

Table 4.3: Correlation Analysis

	(1)	(2)	(3)
Board role Performance (1)	1		
Credit Management (2)	.518**	1	
Financial performance (3)	.719**	.755**	1
Correlations significant the 0.01 level (2-tailed)			

Source: Primary Data, 2025

4.3.1 Board role performance and financial performance

The results in Table 4.3 indicate that there is a positive and significant relationship between board role performance and financial performance of commercial banks in Uganda ($r = .719$, $p < 0.01$). This indicates that better board role performance is significantly associated with improvement in financial performance.

4.3.2 Board role performance and Credit Management

Also, the results in Table 4.3 depict that there is a positive and significant association between board role performance and credit management ($r = .581$, $p < 0.01$). This implies that

improvement in board role performance also tends to influence better credit management of commercial banks in Uganda.

4.3.3 Credit Management and financial performance

Finally, the results in Table 4.3 indicate that there is a positive and significant relationship between credit management and financial performance ($r = .755, p < 0.01$). These results imply that improvement in credit management leads to an improvement in financial performance of commercial banks in Uganda.

4.4 Regression Analysis

In order to determine the predictive capacity of board role performance and credit management on financial performance, a regression analysis was conducted. The results of this analysis are shown in the tables below.

4.4.1 Board role performance and financial performance

Table 4.4:Regression of Board role performance and financial performance

Model	Coefficients				t	Sig.
	Unstandardized		Standardized			
	B	Std. Error	β			
(Constant)	1.098	.668			.1645	.760
1 Board role performance	.737	.163	.719		4.507	.000
		R = .719 ^a	R ² = .517	Adj. R ² = .491	F = 20.311	.000

a. Dependent Variable: Financial Performance; N=21

Source: Primary data, 2025

The findings indicate that board role performance is a significant predictor of financial performance among commercial banks ($\beta = .719, \text{Adj. } R^2 = .49.1, p < 0.01$). This implies that 49.1% of variance in financial performance is accounted for by board role performance. The model's overall statistical significance is supported by the F-statistic ($F = 20.311, p < 0.01$),

confirming the robustness of the regression model in capturing the relationship between board role performance and financial performance.

4.4.2 Board role performance and Credit management

Table 4.5: Regression results of Board role performance and Credit management

Model		Coefficients			t	Sig.
		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	β		
1	(Constant)	1.288	0.911		1.413	.174
	Board role performance	0.694	.223	.581	5.213	.000
		R = .581	R ² = .338	Adj. R ² = .303	F = 9.692	.006

a. Dependent Variable: Credit Management; N=21

Source: Primary data, 2025

The table above indicates that board role performance significantly predicts credit risk management among commercial banks in Uganda ($\beta = .581$, Adj. R² = .303, $p < 0.01$). This implies that 30.3% of variance in credit management is explained by board role performance. Finally, the F- statistics indicates that the overall regression model is statistically significant (F = 9.692, $p < 0.01$).

4.4.3 Credit Management and Financial performance

Table 4.6 Regression results of Credit management and financial management

Model		Coefficients			t	Sig.
		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	β		
1	(Constant)	1.436	.533		2.697	.073
	Credit Management	0.648	.129	.755	5.018	.001
		R = .755	R ² = .570	Adj. R ² = .547	F = 25.182	.000

a. Dependent Variable: Financial Performance; N=21

Source: Primary data, 2025

The results indicate that credit management is a significant predictor of financial performance among commercial banks ($\beta = .755$, Adj. $R^2 = .547$, $p < 0.05$). This suggests that 54.7% of the variance in financial performance is accounted for by credit management. The model's overall statistical significance is supported by the F-statistic ($F = 25.182$, $p < 0.01$), confirming that the regression model is robust in explaining the relationship between credit management and financial performance.

4.5 Mediation Analysis

In order to examine the mediation role of credit management in the relationship between board role performance and financial performance of commercial banks in Uganda, mediation analysis was carried out using Hayes's SPSS process macro model 4. The results are indicated in the table below;

Table 4.7: Mediation results

Path	Estimate (Effect)	SE (Std. Error)	t - value	p- value	CI (LLCI – ULCI)
Path a (Board Role Performance =>Credit Management)	0.6942	0.2230	3.1132	0.0057	[0.2275 – 1.1610]
Path b (Credit Management => Financial Performance)	0.4369	0.1387	3.1492	0.0055	[0.1454 – 0.7284]
Path c (Board Role Performance => Financial Performance)	0.7366				
Path c' (Board Role Performance=>Financial Performance)	0.4333	0.1657	2.6152	0.0075	[0.0852 – 0.7815]
Indirect Effect	0.3033				[0.1225 – 0.5915]
Ratio Index (Indirect /Total Effect * 100)	41.2%				

Source Primary data, 2025

The findings presented in the table above indicate that the conditions required for mediation to occur as suggested by Baron and Kenny (1967) were fulfilled. Path a ($\beta = 0.6942$, $p < 0.01$), Path b ($\beta = 0.4369$, $p < 0.01$), and Path c ($\beta = 0.7366$, $p < 0.01$) are all significant. When the mediator (Credit management) was introduced into the model (Path c'), the total effect of Board

role performance on financial performance reduced from a Beta (β) coefficient of 0.7366 to 0.4333 and yet the p-value remained significant ($p < 0.01$). This therefore implies that Credit management partially mediates the relationship between board role performance and financial performance. This is further justified with the confidence interval that does not include zero (LLCI = 0.1225, ULCI = 0.5915).

Furthermore, the findings indicate a ratio index of 41.2% (indirect effect/total effect * 100). This implies that 41.2% of the effect of Board Role Performance on Financial Performance is explained through Credit Management, while 58.8% is due to the direct effect. These findings therefore support the hypothesis that credit management mediates the relationship between board role performance and financial performance of commercial banks in Uganda.

CHAPTER FIVE

DISCUSSION, CONCLUSION, AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the discussions, conclusions, recommendations. Specifically, this chapter covered the discussion according to objective, the conclusions according to the findings, recommendations according to the conclusion, and limitation and areas for further research.

5.1 Discussion of the findings

5.1.1 board role performance and financial performance

Firstly, the study sought to examine the relationship between board role performance and financial performance of commercial banks in Uganda. The findings indicate that board role performance is a significant predictor of financial performance. The findings seem to suggest that governance, strategic decision making, and oversight significantly impact ROE, ROA, and the ratio of NPLs to Total loans. These findings are in line with those of earlier scholars (Katusiime, 2021; Otioku, 2021; Mugume, 2023; Fanta & Makina, 2019) who found that board role performance positively influences financial performance.

The study confirms that strong governance practices are instrumental in mitigating risks such as credit defaults, as evidenced by their impact on non-performing loans (NPLs). Boards that implement robust governance measures not only ensure compliance with regulatory standards but also promote ethical lending practices, directly contributing to improved ROA and ROE. Additionally, the findings seem to emphasize that the board's strategic oversight significantly enhances financial performance. Effective strategic decisions, particularly on credit approval and resource allocation ensure that management's actions align well with long-term organizational goals. These findings are supported by Akyeampong and Adjasi (2020) who

emphasized that Boards that made prudent strategic decisions regarding cost control and asset utilization typically achieved better ROA results.

Furthermore, the findings suggest that the board's oversight function is a vital determinant of financial stability and performance. Through active monitoring of management practices, boards ensure operational efficiency and financial transparency which are crucial in reducing NPL ratios and maintaining profitability. These findings resonate with those of Fanta and Makina (2019) who found that rigorous oversight leads to improved financial outcomes.

Finally, these findings provide substantive contributions to the application and extension of Agency Theory in the banking sector, particularly in the context of Uganda's commercial banks. The findings of this study reinforce the central views of Agency Theory (Jensen & Meckling, 1976) by highlighting the critical role of board performance in influencing the financial performance of commercial banks.

5.1.2 Credit management and financial performance

Secondly, the study sought to assess the relationship between credit management and financial performance of commercial banks in Uganda. The findings indicate that credit management is a significant predictor of financial performance. These findings therefore support H2 of this study. Furthermore, the findings seem to suggest that Capacity, collateral, Capital, Character, and Condition significantly influence ROA, ROE, and NPLs to total loans ratio. These findings are in agreement with those of other scholars (Brownbridge, 2019; Kargi, 2021; Kaazara & Agaba, 2023; Okwir & Magala, 2024).

The findings suggest that effective credit management practices such as comprehensive borrower assessments and diligent loan monitoring play a pivotal role in reducing non-performing loans (NPLs) which is a vital measure of financial performance. Also, Banks with effective credit management practices such as borrower analysis, appraisal, and monitoring are

better positioned to reduce credit risks and achieve stronger financial outcomes. These findings are in tandem with Kaazara and Agaba (2023) and Okwir and Magala (2024).

Furthermore, according to the findings, the five Cs of credit (capacity, collateral, capital, character, and condition) are integral elements in the credit evaluation process which directly influence financial outcomes. Capacity, the borrower's ability to repay based on income and cash flow was viewed as critical in minimizing default risks and improving NPL ratios. Collateral mitigated lending risks by serving as a security buffer, ensuring recoverability in the event of defaults. Similarly, strong borrower capital reserves and a positive credit history (character) lowered the probability of loan defaults, while favorable economic conditions (condition) enhanced repayment capacity. These findings are in agreement with those of Kaazara and Agaba (2023) who acknowledged the robustness of the 5Cs of credit in assessing borrowers in commercial banks to avoid credit risk.

The findings of this study further extend the application of agency theory by illustrating that effective credit management plays a crucial role in mitigating agency conflicts, reducing information asymmetry, and aligning managerial decision-making with shareholder interests. By instituting robust credit policies including the rigorous evaluation of the 5Cs of credit; Character, Capacity, Capital, Conditions, and Collateral, banks ensure that lending decisions are based on comprehensive borrower assessments rather than managerial preferences or biases. Additionally, continuous borrower monitoring and proactive risk management provide accurate and timely information thereby alleviating information asymmetry. These practices minimize the potential for managers to engage in self-serving or excessively risky credit allocations, thereby safeguarding shareholder wealth.

5.1.3 Board role performance and credit management

Thirdly, the study sought to establish the relationship between board role performance and credit management of commercial banks in Uganda. The findings demonstrate that there is positive and significant relationship between board role performance and credit management. These findings support the hypothesis that Board role performance is positively and significantly associated with credit management of commercial banks in Uganda (H3). Furthermore, the findings seem to indicate that governance, oversight, and strategic decision making predict credit management. Numerous scholars acknowledge these findings (Muriithi & Waweru, 2021; Mwangi & Kamau, 2023; Ahsan & Memon 2021).

Also, the findings suggest that strategic decision-making, a key function of the board, directly influences credit policies and risk tolerance. Boards that engage in effective long-term planning and resource allocation can optimize credit portfolios by prioritizing borrowers with strong repayment capacities and appropriate collateral. These strategic decisions ensure that the credit extended aligns with the bank's risk appetite and market objectives, thereby improving loan performance and reducing NPL ratios. These findings are supported by Mwangi and Kamau (2023) who maintain that credit decisions should be made based on borrower attributes.

Furthermore, the findings of the study demonstrate that board oversight role further strengthens credit management by ensuring compliance with internal credit policies and regulatory requirements. Active board monitoring of loan approvals, collateral valuations, and borrower assessments promotes transparency and accountability, reducing exposure to credit risks. These findings are reinforced by Aebi, Sabato, and Schmid (2020) who emphasized the importance of rigorous oversight in enforcing best practices in credit risk management.

In conclusion, The findings of this study validate the tenets of the Agency Theory (Jensen & Meckling, 1976) which emphasizes the governance role of boards in mitigating agency conflicts between shareholders and management. In the context of credit management, boards act as fiduciary agents responsible for ensuring that management adheres to lending practices aligned

with shareholders' interests. Furthermore, as agents, boards are responsible for ensuring that management aligns credit practices with the interests of shareholders. Effective board governance, strategic decision-making, and oversight mitigate agency conflicts by ensuring prudent credit policies, reducing NPLs, and enhancing financial stability.

5.1.4 The mediating role of credit management in the relationship between board role performance and financial performance

Finally, the study aimed to examine the mediating role of credit management in the relationship between board role performance and financial among commercial banks in Uganda. The findings affirm that credit management serves as a partial mediator in the relationship between board role performance and financial performance. Therefore, the findings uphold the hypothesis that credit management mediates the relationship between credit management and financial performance (H4). These findings are supported earlier empirical studies (Ahsan and Memon, 2021; Mwangi and Waweru, 2022).

These results demonstrate that while board role performance independently impacts financial performance, a significant portion of this relationship is explained by the board's influence on credit management practices. Therefore, boards that excel in governance, oversight, and strategic decision-making establish robust credit management frameworks, which in turn, drive better financial outcomes by mitigating credit risks and maintaining a healthy loan portfolio. These findings are also in tandem with Pathan (2009) who argued that decisions aligned with prudent lending practices reduce credit exposure, ensuring a well-balanced loan portfolio.

Also, the partial mediation observed in this study highlights the interplay between governance and credit management as mechanisms for addressing agency issues. Effective board role performance strengthens credit management, which in turn enhances financial performance by reducing risks associated with credit defaults. The findings also indicate that there improving

board role performance through governance, strategic decision making and oversight is not enough to improve ROA, ROE, and NPL to TL ratio. Rather, this should be done by improving on credit management. This therefore validates the theoretical premise that well-functioning governance mechanisms are integral to achieving optimal organizational outcomes.

5.2 Conclusions

Drawing from the above findings and discussions, the researcher makes the following conclusions aligned with the research objectives:

Firstly, the study examined the relationship between board role performance and the financial performance of commercial banks in Uganda. The findings reveal that board role performance manifested through effective governance, strategic decision-making, and diligent oversight serves as a critical determinant of financial performance. The researcher concludes that when boards effectively execute their roles, they contribute significantly to improving key financial performance indicators such as Return on Assets (ROA), Return on Equity (ROE), and the reduction of Non-Performing Loans (NPLs) relative to Total Loans (TL). Therefore, strong board involvement enhances institutional accountability and strengthens risk management frameworks both of which support improved financial outcomes in commercial banks.

Secondly, the study assessed the relationship between credit management and the financial performance of commercial banks in Uganda. Based on the empirical findings, the researcher concludes that sound credit management practices centered around the fundamental principles of the 5Cs (Collateral, Capacity, Capital, Character, and Conditions) are crucial in achieving and sustaining financial performance. Effective credit management mitigates credit risks, limits loan defaults, and enhances the quality of loan portfolios, ultimately improving ROA, ROE,

and minimizing the NPLs to TL ratio. Therefore, robust credit management provides a strong foundation for financial stability and profitability within Uganda's commercial banking sector.

Thirdly, the study sought to establish the relationship between board role performance and credit management. The findings substantiate that board role performance predicts credit management effectiveness. The researcher concludes that proactive board engagement in governance and strategic oversight directly influences the establishment and enforcement of sound credit management policies. This ensures effective lending decisions, rigorous borrower assessments, and continuous monitoring, all of which reinforce credit risk mitigation strategies within commercial banks.

Finally, the study explored the mediating role of credit management in the relationship between board role performance and financial performance. Based on the findings, researcher concludes that while effective board role performance positively influences financial performance, this relationship is significantly explained by credit management. Therefore, to achieve improved financial performance, commercial banks must not only strengthen board governance and oversight but also prioritize efficient credit management as an integral operational practice.

5.3 Recommendations

In line with the above conclusions, the researcher makes the following recommendations.

Firstly, the study concluded that board role performance (governance, strategic decision making, and oversight) is a significant predictor of financial performance among commercial banks in Uganda. The researcher therefore recommends that banks should strengthen oversight mechanisms to monitor management activities. Therefore, establishing a dedicated Board Risk Committee (BRC), including independent financial risk experts, is crucial. Furthermore, enforcing an internal risk-based supervision policy will ensure rigorous scrutiny of high-risk

loans and proactive management of non-performing loans (NPLs), directly enhancing financial outcomes.

Secondly, study concluded that credit management (Collateral, Capacity, Capital, character, and Condition) significantly predict financial performance (ROA, ROE, and NPLs to TL ratio) of commercial banks. Therefore, this requires that commercial banks mandate an enterprise-wide Credit Risk Assessment Framework (CRAF) for consistent evaluation of the 5Cs, complemented by investments in digital credit assessment tools for enhanced speed and objectivity. Also, banks should periodically do collateral re-evaluation especially in volatile markets in order to maintain adequate security levels.

Furthermore, recognizing the importance of board performance in enhancing credit management, boards should strategically align governance structures to optimize credit practices. This involves the Board's Risk Committee annually reviewing and approving a comprehensive Credit Risk Policy that defines risk appetite and underwriting standards. A robust internal audit function, with a mandate to periodically review the credit approval process and report directly to the board, will foster accountability. Additionally, a structured quarterly reporting framework on key credit risk indicators and NPL trends will ensure transparent and timely oversight.

Finally, given that credit management mediates the relationship between board role performance and financial performance, boards must deliberately integrate advanced credit management practices into their overall governance strategies for maximum impact. This includes establishing a dedicated Board Credit Risk Oversight Subcommittee, comprising members with specialized credit expertise, to review large exposures and portfolio health. Integrating credit risk management objectives within the bank's strategic plan and linking them

to executive performance ensures accountability. Mandating regular, detailed reports from the Chief Credit Officer directly to the Board will ensure credit management remains a standing strategic agenda item, directly informing critical decisions that impact financial performance.

5.4 Limitation of the study and areas further research

Despite the valuable insight that this study demonstrates, it is limited by the following;

First, the study employed a cross-sectional research design, which limits the ability to capture temporal changes, trends, and causal relationships between variables. Since data were collected at a single point in time, it restricts the interpretation of dynamic relationships. To partially mitigate this limitation, the study ensured that the data were collected during a relatively stable financial period to reflect consistent organizational practices. However, future studies are encouraged to adopt a longitudinal research design, which would allow for the tracking of variables over time, thereby enabling deeper exploration of causal inferences and temporal dynamics in board performance, credit management, and financial outcomes.

Second, data collection relied solely on a structured questionnaire, which, while efficient for quantitative analysis, limited the scope for capturing respondents' in-depth views and experiences. This restriction may have led to the omission of valuable qualitative insights. To address this, the questionnaire was pretested and refined to ensure consistency. However, for a more comprehensive understanding, future research should consider adopting a mixed-methods approach, integrating qualitative methods such as interviews, focus group discussions, or case studies. This would enrich the findings by capturing contextual nuances and stakeholder perspectives that structured instruments alone may miss.

Third, the study focused exclusively on commercial banks in Uganda, excluding other financial institutions such as microfinance institutions, credit cooperatives, and savings groups. While this focus allowed for an in-depth analysis of Tier I institutions, it inevitably limits the

generalizability of the findings to the broader financial sector. To mitigate this, the study clearly defined its unit of analysis and scope to reflect the unique regulatory and operational characteristics of commercial banks. Nevertheless, future studies should consider expanding the scope to include other tiers of Uganda's financial system to enhance the generalizability of findings and explore how governance and credit practices vary across financial institution types.

Lastly, the study's reliance on a quantitative approach limited the exploration of behavioral, perceptual, and contextual factors influencing board role performance and credit risk management. While statistical methods provided a robust basis for inference, they did not allow for the interpretation of deeper human elements that shape financial decision-making. To address this, the researcher supplemented the interpretation of quantitative results with insights from existing literature and contextual analysis in the discussions. However, future research could benefit from dedicated qualitative investigations that explore organizational culture, leadership dynamics, and stakeholder behavior within the banking sector, offering a richer understanding of the factors that influence financial performance.

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APPENDICES

Questionnaire

Section 1: Demographic Information

Name of the Bank:

.....

What is your Gender

- Male
- Female

Position/Role in the Bank:

- Chief Finance officer
- Bank Manager
- Accountant
- Auditor
- Loan officer
- Credit risk manager

Years of Experience in the Banking Sector:

- 0-5 years
- 5-10 years
- 10-15 years
- 15 years and above

Educational Background (Highest education level):

- Diploma
- Bachelors

- Masters
- PhD

Bank Ownership

Government/State owned Foreign owned Locally owned

Please express the extent to which you agree or disagree with each of the following statements

by **Ticking** in the appropriate box on the right-hand side of the statement that ranges from;

1=Strongly Disagree, 2=Disagree, 3 = I am not sure, 4 = Agree, 5 = Strongly Agree

CODE	Board Role Performance					
Governance						
BRG1	The board actively monitors the performance of the management					
BRG2	The board actively evaluates the performance of the management.	1	2	3	4	5
BRG3	The board has responsibility to determine which programs are considered with the organization's mission.	1	2	3	4	5
BRG4	The board ensures that the bank has adequate financial resources.	1	2	3	4	5
BRG5	The board has qualified and experienced individuals.	1	2	3	4	5
Strategic Decision Making						
SDM1	In this bank, the board clarifies and the defines the problem	1	2	3	4	5
SDM2	The board seeks for information on how and why the problem occurred.	1	2	3	4	5
SDM3	The board develops options	1	2	3	4	5
SDM4	The board evaluates options	1	2	3	4	5

SDM5	The board chooses the best Action that best meets the decision objective.	1	2	3	4	5
SDM6	In this bank, management identifies the best way to achieve its goal.	1	2	3	4	5
Oversight Role						
OSR1	The board of directors effectively oversees the bank's strategic direction.	1	2	3	4	5
OSR2	The board serves as a resource to the CEO for advice and guidance.	1	2	3	4	5
OSR3	In this bank, the board puts in place mechanisms for checks and balance.	1	2	3	4	5
OSR4	The board considers a point of accountability to ensure achievement of board approved objectives	1	2	3	4	5
OSR5	The board determines whether current laws and appropriations are achieving intended results.	1	2	3	4	5
Section C: Credit Management						
	Capacity					
CMC1	This bank analyses the number and amount of debt obligations to the borrower currently as outstanding compared to the amount of income expected each month.	1	2	3	4	5
CMC2	The bank has well-defined frame work for evaluating credit risk when considering a loan.	1	2	3	4	5
CMC3	This bank uses debt payments-to- income ratio as one of the rules for measuring credit capacity.	1	2	3	4	5
CMC4	This bank uses Thumb rule that is the debt-to- equity ratio for measuring credit capacity	1	2	3	4	5
	Collateral	1	2	3	4	5
COL1	In this bank, are collateral assets appraised by a qualified expert?	1	2	3	4	5

COL2	In this bank, assessments of collateral quality in a loan include appraisals, collateral audit and reviewing documentation related to collateral's ownership and condition.	1	2	3	4	5
COL3	This bank uses collateral value of pledged loans as the product of fair market value estimated and margin designed to protect the Federal Reserve from financial loss.	1	2	3	4	5
COL4	The bank has a robust loan monitoring system to track repayment performance	1	2	3	4	5
COL5	The bank has a well-defined credit policy outlining loan eligibility criteria.	1	2	3	4	5
	Capital					
CAP1	This bank provides a cushion or buffer against asset losses gains customers.	1	2	3	4	5
CAP2	The bank conducts thorough credit appraisals before approving loans.	1	2	3	4	5
CAP3	The bank has a robust loan monitoring system to track repayment performance.	1	2	3	4	5
CAP4	The bank considers savings or investment account balances as additional means to loan repayment.	1	2	3	4	5
	Character					
CHR1	The bank looks at the borrower's payment history	1	2	3	4	5
CHR2	The bank considers customers credit score	1	2	3	4	5
CHR3	The bank scrutinizes credit history and relationship with prior debtors.	1	2	3	4	5
CHR4	The bank uses both qualitative and quantitative method of determining borrower's honesty and reliability.	1	2	3	4	5
	Condition					

CON1	This bank has a well-established payment plan to all borrowers as to when payments are made	1	2	3	4	5
CON2	This bank has specific rules and bide by a particular system while qualifying individuals and corporation for obtaining loans.	1	2	3	4	5
CON3	The bank implements effective measures to manage and recover non-performing loans.	1	2	3	4	5
CON4	The bank uses certain quantitative measurements such as the loan's interest rate, principal amount and repayment length to assess condition	1	2	3	4	5
CON5	The bank utilizes credit risk assessment tools to evaluate loan applications.	1	2	3	4	5
CON6	The bank has effective measures to reduce financial risk for the lenders.	1	2	3	4	5
CON7	The bank employs qualified, competent and experienced personnel.	1	2	3	4	5
Section D: Financial Performance						
Return On Asset						
ROA1	The bank has progressively improved its assets base over the last years.	1	2	3	4	5
ROA2	The bank regularly registers better Return on assets than industry average.	1	2	3	4	5
ROA3	The bank's investment have short payback period hence good return on assets.	1	2	3	4	5
ROA4	This bank uses ATMs to reduce on operation costs and therefore better returns in assets.	1	2	3	4	5
Return On Equity						
ROE1	General managers use return on equity gained to determine financial performance.	1	2	3	4	5

ROE2	In this bank, the return on equity has increased in the past 3 years	1	2	3	4	5
Ratio of non-performing loans to total loans						
RPL1	The bank has sufficient mechanisms such as insuring loans to mitigate risk.	1	2	3	4	5

Thank you for your participation!

List of Commercial Banks in Uganda

Sn.	Bank Name
1.	Access Bank Uganda,
2.	Absa Bank Uganda Limited
3.	Bank of Africa Uganda Limited
4.	Bank of Baroda Uganda Limited
5.	Bank of India Uganda Limited
6.	Cairo Bank Uganda
7.	Centenary Bank
8.	Citibank Uganda
9.	DFCU Bank
10.	Diamond Trust Bank
11.	Ecobank Uganda
12.	Equity Bank Uganda Limited
13.	Exim Bank Uganda
14.	Finance trust bank
15.	Housing Finance Bank
16.	IandM Bank Uganda
17.	KCB Bank Uganda Limited
18.	NCBA Bank Uganda,
19.	PostBank Uganda
20.	Salaam Bank Uganda
21.	Stanbic Bank Uganda Limited
22.	Standard Chartered Uganda,
23.	Tropical Bank
24.	United Bank for Africa.

Work Plan

	MONTHS OF THE YEAR					
ACTIVITIES	August 2024 to December 2024	Jan, 2025	Feb, 2025	Mar ch, 2025	April, 2025	May, 2025
Problem identification						
Proposal writing						
Confirmation and submission of the proposal						
Data collection						
Analysis of data						
Writing of the final report						
Submission of the research project report						

Budget

ITEMS	Rates	QTY	Amount(Ugx)
Stationary	15,000	1	15,000
Transport	30,000	-	30,000
Printing			100,000
Binding	4,000	8	32,000
Data	25,000	8gb	25,000
Research assistants	300,000	2	600,000
Miscellaneous	20,000	-	200,000
GRAND TOTAL			1,002,000