ABSTRACT

Credit Risk Management in a Financial Institution (FI) starts with the establishment of sound lending principles and an efficient framework for managing the risk, policies, industry specific standards and guidelines together with risk concentration limits are designed under the supervision of risk management committee. Financial Institutions need to assess the required information about the borrower so as to be able to standardize the credit exposures as the information will guide the bank in assessing the probability of borrower default and price the loan accordingly. The information can be obtained in documentation and through seeking additional information from third parties like credit rating agencies and credit referees.

It was prevailed from the literatures that credit risk management should involves four processes which were risk identification, risk measurement, risk monitoring and risk control BOT (2010) also Navajas *et al* (2007) argued that techniques utilized to reduce credit risk are export based information, diversification strategies (geographical, sectoral and commodity), portfolio exposure limits and excessive provisioning is also used to internalize and absorb credit risk.

A case study design has been used as it is a method of study in depth rather than breadth, the case study places more emphasis on the full analysis of a limited number of events or conditions and their interrelations. Data collection methods employed were both primary and secondary data in primary Questionnaires, Interview and observation were used while in secondary documentary review was considered. Research approaches used were both qualitative which seeks to describe and analyze the culture and behaviour of human and their groups from the point of view of those being studied and quantitative as it based on numerical data, usually presented in tables and figures.

It was found that the proper loan screening processes of Credit Risk Management (CRM) before loan disbursement was done based on 5C's which stands for Collateral, Capacity, Capital, Character and Condition and after loan disbursement the loan