

## ABSTRACT

This study examined the application of the concept of credit risk management in Hotels in Arusha city. The study was conducted in Arusha region across selected hotel and lodges. The study selected hotels and conducted interviews comprising of hotels management and staffs. Both field research and desk research was used. Field research used case study approach by identifying hotels in the hospitality sector. On the other hand desk research focused on examining the latest literature on credit management practices and views by various writers. Collected data was screened, coded and analyzed in the context of their statistical nature using Predictive Analytical Software (PASW).

According to the study risk management is a new concept and perceived as a process which is isolated, and independent from other operations within the hotel business environment. From the study, it was established that risk management is a process which provides a platform for the business owners, management and directors to take time examine their daily business activities and put into put mechanism to guide the future hotels. Findings from the study showed that the concept and practice of proper credit risk management improves the hotels ability to make better decisions that more accurately reflect the true nature of the risks in the business environment. It also established that the credit risk management process can enable hotels to set objectives to measure its success and general performance. The current risk management reporting structures seem to be lengthy this makes it less responsive in terms of decision making process and subsequent implementation of the risk management system. The reporting structures was further noted to be rigid and bureaucratic in nature with the mains function handled by the directors and owners of the hotels which is not desired as per the recommended practices which portrays the task as all inclusive process involving all staff led by the internal auditors.

On overall performance credit management is effective and in progress in various hotels in Arusha. However, the system faces several challenges which impede its implementation. Major limitations include lack of proper communication, inadequate technical skills, poor management and leadership, unfavourable policies, laws, rules and regulations. Thus there is need for proper planning, organization, implementation and monitoring of the risk management to enhance the growth and development the hotels.

