

**Credit Risk Management on the Performance of Loan Portfolio of Microfinance Institutions
Evidence from Microfinance Institutions in Moshi Municipality, Tanzania
By**

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Credit risk management is one of the most important activities in any Financial Institutions including microfinance institutions. Sound credit risk management is a prerequisite for a financial institution's stability and determine the success and survival of loan portfolio performance of microfinance institutions. As with any financial institution, the biggest risk in microfinance is lending money and not getting it back. Therefore, the study sought to analyse the effect of credit risk management on the performance of loan portfolio of microfinance institutions in Moshi Municipality. The study adopted a cross - sectional design. The population of study consisted of 17 microfinance institutions in Moshi Municipality. From 17 microfinance institutions 65 respondents who are credit officers were required to respond to the questions as prepared by researcher. Descriptive statistics, content analysis and regression analysis were used to analyse data. The study revealed that asymmetric information is the most causes of credit risk through adverse selection and moral hazards. From a linear regression model (objective 1) the dependent variable was loan portfolio performance and predictor were improper appraisal, interest rate charged, willingness of the borrower to pay loan, monitoring of the loan and multiple loan. Here observed that there is strong relationship between loan portfolio performance and credit risk causes. For the case of (objective 2) observed that there is a strong relationship between credit risk control measures and loan portfolio performance of microfinance institutions. For the case or (objective 3) loan portfolio was dependent variable while predictor was client appraisal (character, collateral, capacity, capital and conditions. Here observed that, there is a strong positive relationship between loan portfolio performance and client appraisal.