

CREDIT RISK MANAGEMENT BY PRIVATE HOSPITALS IN KENYA

ELIJAH SEKI MITITI

Phd Student

Jomo Kenyatta University of Science and Technology (JKUAT)

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ABSTRACT

Credit risk is the risk that a financial institution will incur losses because the financial position of a borrower has deteriorated to the point that the value of an asset (including off-balance-sheet assets) is reduced or extinguished. The broad objective of the study was to determine the effect of credit risk management practices on performance of private hospitals in Kenya. Descriptive research design was chosen because it will enable the researcher to generalise the findings to a larger population. This study therefore was able to generalise the findings for all the private hospitals in Kenya.

The population of this study comprised of all licensed private hospitals in Kenya that operate in Nairobi. The staff of private hospitals is the group from which the sample was drawn.

The researcher used both primary and secondary data. Primary data was obtained through self-administered questionnaires with closed and open-ended questions. The collected data was thoroughly examined and checked for completeness and comprehensibility. Data presentation was done by the use of pie charts, bar charts and graphs, percentages and frequency tables. The study concludes that majority of the hospitals had put in place risk identification, analysis and assessment strategies and risk monitoring procedures as credit risk management practices aimed at improving performance. However, most hospitals had not employed present credit risk management procedures employed by private hospitals in Kenya and could be at risk. The study recommends that for hospitals to effectively employ credit risk procedures, hospitals need strong and proficient credit risk management practices. Since exposure to credit risk continues to be the leading source of problems in many organizations world-wide, organizations should be able to draw useful lessons from past experiences.

Organizations should now have a keen awareness of the need to identify, measure, monitor and control credit risk as well as to determine that they hold adequate capital against these risks and that they are adequately compensated for risks incurred.

Key Words: Credit Risk Management, Private hospitals

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