Abstract

The study assesses the effect of credit risk control practices on the lending performance of commercial banks in Kenya. Credit risk is among the most significant challenges facing Kenya commercial banks, and it has an impact on their lending performance. We measure commercial banks' lending performance by examining whether there is an increase or decrease in the number of loan applications that are approved and funded. Primary data was collected from 42 commercial banks in Kenya with a focus on branches in Nairobi County and logistic regression was used for estimation of parameters. Results indicated that proper loan usage, assessment and review of loan applications, and adherence to set credit guidelines and policies were statistically significant in predicting lending performance. In addition, the level of education of credit officers and years of lending experience among staff were also found to affect lending performance in commercial banks. It recommended that a framework that binds the borrowers from diverting funded loans to other uses be developed and that the strengtheningof loans application assessment and review through the use of modern technology.