

ABSTRACT

This dissertation is entitled “Risk management practices and investment decisions” It was presented as a result of a research that was carried out in the Rwanda Commercial Bank (BCR). The study was carried out based on three specific objectives, i.e.; to identify the risk management practices used by Rwanda Commercial Bank, to analyse how risk management practices influence investment decisions making by Rwanda Commercial Bank, and to establish the relationship between risk management practices and investment decisions taken by Rwanda Commercial Bank The study was in form of a descriptive correlation design, to describe and analyze the condition of the areas design being studied as it was at the time. The study population comprised of 182 employees of the Rwanda Commercial Bank and sample of 125 respondents was chosen, using purposive sampling method. Questionnaires and interviews were used in collecting primary data. For secondary data, BCR financial statements and reports were analyzed. The findings revealed that, although BCR shows recovery signs still face various risks, the later leads to delayed payments and or failure to pay the interest and the principle. The prevalent risks are: liquidity, interest rate, inflation, legal, political and default risks. The situation was aggravated by unscrupulous lending, high costs involved in loan recovery, incomplete credit information, lack of adequate supervision and anxiety over income among others. Risk management practices employed by BCR are: diversification, an office to make a study on risks and application to follow accounting standards. The study indicated that there is a significant relationship between risk management practices and investment decisions taken by the Rwanda Commercial Bank. The research revealed that selecting investments, Rwanda Commercial Bank takes decisions basing on analysed report of events which can affect the investment and return To improve risk management practices, the survey recommended the following: BCR should ensure constant visits to customers, advise to customers, re-enforcement of existing practices, diversification of loans and avoid unscrupulous lending. Basing the research finding and recommendation, more research on managing risks in the business will help the investors to manage risks in their business and making investment decisions accordingly.