

Credit risk management and nonperforming loans in commercial banks in Kosovo

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Abstract

The main purpose of this research is to analyze the credit risk and the level of nonperforming loans of commercial banks in Kosovo. Risk is an internal element of banking activity, but excessive risk and poor management can lead to losses, endangering the security of a bank. Given that banks play an important financial role, they must operate safely and soundly and have sufficient capital and reserves to cope with the risks they undertake in the course of their activity. Credit risk is the main risk faced by the banking system. Banks in our country still have high interest rates on loans, but nonperforming loans are lower than in the countries of the region and beyond. This study used the tools, techniques and methods needed to analyze the credit risk and the level of nonperforming loans of the banking system in Kosovo, as well as to analyze the behavior of the consumer against the interest rate on loans of commercial banks in Kosovo. Structural (questionnaire) data are also used, as this method is more efficient and helps in collecting credible data and facilitates the achievement of the objectives of this study.

Keywords: Credit risk, risk management, loans, interest rates, risk indicators.

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Academic Journal of Business, Administration, Law and Social Sciences ISSN 2410-3918 (print)

ISSN 2410-8693 (online)

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