

The effect of loan default on the profitability of commercial banks in Mogadishu

Background

The impact of loan default on the profitability of commercial banks in Mogadishu, Somalia has become a major concern for the banking sector in Somalia in recent years. Loan defaults have been identified as one of the primary causes of reduced profitability in the banking sector.

Objectives

- To examine the factors from borrowers of loan default that affect the profitability of commercial banks in Mogadishu.
- To assess the effect of loan monitoring on the profitability of commercial banks in Mogadishu and how the size of the loan affects the profitability

Results

The study showed that loan default has negative impact on the profitability of commercial banks as shown by the respondents, 35.00%(21) Strongly agreed, 22.00%(13) Agreed, 18.00%(11) 20.00%(12) Neutral, while 5.00%(3) Disagreed.

Conclusion

The study concludes that borrowers have considerably high influence on profitability of the commercial banks, hence there is need for improving the factors from borrowers so as to enhance profitability

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