



**RISK MANAGEMENT AND FINANCIAL PERFORMANCE OF COMMERCIAL
BANKS; A CASE OF STANBIC BANK SOROTI**

BY

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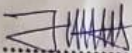
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**A RESEARCH REPORT SUBMITTED TO THE DEPARTMENT OF ECONOMICS
AND MANAGEMENT IN PARTIAL FULLFILLMENT OF THE
REQUIREMENTS FOR THE AWARD OF THE BACHELORS'
DEGREE IN BUSINESS ADMINISTRATION OF
BUSITEMA UNIVERSITY**

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DECLARATION

I **OLUKA JUDE THADEUS** do state that this is my personal original piece of work as a result of my own effort after the approval of the research topic; 'Risk management and Financial performance of commercial banks,' case study: Stanbic Bank Soroti Branch and has never been submitted before to any institution, for the award of a Bachelor in Business Administration Accounting and Finance option.


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APPROVAL

This is to certify that the research report done by OLUKA JUDE THADEUS on the topic; 'Risk Management and Financial Performance of Commercial Banks,' case study: Stanbic Bank Soroti Branch has been produced under my supervision and it is now ready for submission to Busitema University Faculty of Management Sciences.

SIGNATURE.....

DATE 23/01/2024.....

**NAME: MR ESUKU JOSEPH
(ACADEMIC SUPERVISOR)**

DEDICATION

I have a pleasure to dedicate this work to, the family of Mr. and Mrs. Oluka Lawrence and my beloved brother Rev. Fr. Michael Oluka for their financial and physical support towards the completion of this report. I also dedicate the report to my academic supervisor, Mr. Esuku Joseph and my beloved brothers and sisters.

If it was not for the support and guidance of those people, this research would not have been completed. I pray that God Almighty may bless them abundantly.

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LIST OF ACRONYMS AND ABBREVIATIONS

DBP	Development Bank of the Philippines
ROE	Return on Equity
ROA	Return on Assets
Ugx	Ugandan Shillings
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
CLR	Credit Loss Ratio
FMS	Faculty of Management Sciences
CR	Credit Risk
IRR	Interest Rate Risk
ERR	Exchange Rate Risk
FP	Financial Performance

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ABSTRACT

This study examined the effect of risk management on financial performance of commercial banks. The study was guided by the following objectives notably, to examine the effect of credit risk on financial performance of Stanbic bank, to examine the effect of interest rate risk on financial performance of Stanbic bank and to assess the effect of exchange rate risk on financial performance of Stanbic bank in Uganda. The study used a cross sectional research design, and a quantitative approach. Data was collected from a target population of 35 of employees with accessible unit of 32 of employees in Stanbic bank, using simple random and purposive sampling techniques. Data were collected with the aid of closed ended questionnaire and Statistical Packages for Social Sciences was employed for analyzing data from which frequency tables, descriptive statistics (mean and standard deviation), reliability, validity, correlation, and regression results were obtained. The study findings revealed that there is a positive and a significant effect of credit risk and financial performance of Stanbic bank, interest rate risk and financial performance of Stanbic bank and exchange rate risk and financial performance of Stanbic bank. The study concludes that there is a strong predictive power that the dimensions of risk management contribute towards enhancing financial performance of Stanbic bank in Soroti. Finally, the study, recommends that efforts to improve the financial performance of banks depends on risk management (credit risk, interest rate risk and exchange rate risk).

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter will entail the background of the study, purpose of the study, research objectives, research questions, scope of the study, significance of the study as well as conceptual framework.

1.1 Background of the study

Financial performance is an increasingly significant issue not only for businesses but also for economies of countries because it is a measure of how much a company's or country's ability to create profit or revenue.

Globally, Philippines, development bank of the Philippines in its annual report DBP (Report, 2020) the ROE subdued to a percentage of 5.63% in (Report, 2020) from 10.06% in 2019 and ROA to 0.39% in 2020 from 0.78 in 2019 thus confirming financial performance challenge in Philippines. The World Bank consists of IBRD and IDA. IBRD recorded net income of \$1,144 million for the fiscal year ended June 30, 2023, a decrease of \$2,846 million, compared with net income of \$3,990 million for the financial year ended June 30, 2022 (Report, 2023).

In addition to the above, according to annual report of Report by (Theodoridis & Kraemer, n.d.) ROA subdued to a percentage of 1.18% in 2020 from 1.3% in 2019 and 1.41% in 2018, ROE also registered a percentage decrease from 8.14% in 2018 to 5.78% in 2019 and to 5.06% in 2020 thus confirming a financial performance challenge in Netherlands.

Equally, according to annual report of, (Norwegian Air Shuttle, 2020) ROA remained the same, this implies that neither an increase nor decrease was registered i.e. the percentage on ROA was 3.8% in both 2019 and 2020, the ROE reduced from a percentage of 30.1% in 2018 to 25.2% in 2019 and the non-performing loans increased from 7.8% in 2018 to 13.1% in 2019 implying that CLR also increased thus indicating financial performance challenge in Norway. (Norwegian Air Shuttle, 2020)

In Africa, according to annual report and financial statements of, (Bank of Ghana, 2021) and annual report and accounts of Access Bank Gambia limited 2019, there was a decline in financial performance whereby, ROA recorded a percentage decrease from 3.6% in 2017 to 3.4% in 2018

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