THE EFFECT OF FINANCIAL RISK MANAGEMENT ON FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN UGANDA: A CASE OF STANBIC BANK, MUKONO BRANCH

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S23B33/035

A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF A DEGREE OF BACHELOR OF SCIENCE IN ACCOUNTING AND FINANCE OF UGANDA CHRISTIAN UNIVERSITY

May, 2026

UGANDA CHRISTIAN UNIVERSITY
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DECLARATION

I Kukundakwe Daphine hereby declare that this research report has been produced out of my own effort with the guidance of my supervisor and has never been submitted to any other institution for any award.

Signature....Daphine.............................. Date...7th...../..May......../..2026....

KUKUNDAKWE DAPHINE

S23B33/035

APPROVAL

This research report has been supervised and approved by me and is therefore ready for submission to the School of Business in Uganda Christian University.

Signature... Date....09..../....04..../....2026....

MADAM LORRAINE AKINYI

(Supervisor)

DEDICATION

I would especially like to dedicate my work to my parents, who have always encouraged me to pursue my studies. May you be abundantly blessed by the All-Powerful God.

ACKNOWLEDGEMENT

I want to express my gratitude to the Almighty God for giving me life and for guiding me along my academic journey. Although it hasn't been simple, it has been possible. I want to express my sincere gratitude to Madam Lorraine Akinyi, my supervisor, for all of her hard work and knowledge.

I also thank the Stanbic Bank-Mukono branch's upper management and lower-level staff for giving me the information I needed to do my research.

Lastly, I would want to express my gratitude to my parents and family for their love, support, and financial assistance throughout my academic journey.

Blessings to all of you.

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ABSTRACT

The study looked at the impact of financial risk management on Ugandan commercial banks' financial results, using Stanbic Bank in Mukono as an example. In particular, it looked at how credit risk management affected Stanbic Bank's financial performance, how liquidity risk management affected Stanbic Bank's financial performance, and how operational risk management affected Stanbic Bank's Mukono branch's financial performance.

In addition to using a quantitative research approach, the study was conducted using a cross-sectional survey research design. Stratified sampling was employed in the data collecting process, and questionnaires were used to gather the information. This study employed a sample size of 52 workers who work in various departments at the Stanbic Bank branch in Mukono.

The study findings established that financial risk management significantly affects the financial performance of Stanbic Bank Uganda, Mukono Branch, with credit risk management (r = .636**, p < .05), liquidity risk management (r = .674**, p < .05), and operational risk management (r = .605**, p < .05) all showing strong and statistically significant positive relationships with financial performance. The results suggest that good practices like credit appraisal, liquidity management, internal controls, staff training, and risk management policies reinforce financial stability, minimize possible losses, and eventually increase the profitability and general performance of the bank.

Finally, the research suggested that Stanbic Bank Uganda, Mukono Branch needs to enhance financial risk management through the following improvement of credit appraisal and loan monitoring, the improvement of real-time liquidity management and contingency planning, the strengthening of internal controls and regular audits, and the continuous staff training..

CHAPTER ONE

INTRODUCTION

1.0 Introduction

The study examined the impact of financial risk management on Ugandan commercial banks' financial performance using Stanbic Bank's Mukono Branch as a case study. This chapter outlines the study's history, problem statement, purpose, objectives, scope, research questions, rationale, and significance.

1.1 Background of the study

Financial risk management is essential in ensuring commercial banks are stable and sustainable as it will minimize risks that are likely to affect profitability, liquidity, and long-term survival (Mwanzia, 2021). Commercial banks, in their business environment, are exposed to credit risk, market fluctuations, inefficiency in operations, and liquidity risk, which have a bearing on their financial performance (Al Zaidanin & Al Zaidanin, 2021). Its ability to control these risks effectively through identification, assessment, and control makes it possible for a financial institution to safeguard shareholder wealth and compete in the rapidly evolving financial sector (Siddique et al., 2022).

In addition to stabilizing financial performance against risk, good financial risk management enhances regulatory compliance, customer confidence, and financial innovation (Kafidipe et al., 2021). Globalization, technological shock, and advanced financial products have subjected banks to systemic risks, prompting strategic measures to increase resilience (Syadali et al., 2023). Consequently, risk management has become an integral aspect of conventional and novel banking institutions' financial management policies (Ihyak et al., 2023).

Globally, banks of developed countries such as the United States, the United Kingdom, Germany, and China have established robust financial risk management systems to manage credit, liquidity, and operational risks (Chen et al., 2021). United States-based financial institutions centralized their credit and liquidity risk structures following the 2008 financial crisis, which exposed weaknesses in traditional banking activities (Adeniran et al., 2024). Similarly, in Germany and the UK, banks have implemented advanced technologies and risk management frameworks to improve the management of risks and ensure compliance with Basel III requirements (Huang et al., 2022). In Asia, i.e., China, Bangladesh, and Pakistan, banks have integrated FinTech and digital innovations into risk management frameworks, which have helped to improve monitoring of lending practices and customers' behavior (Ahamed, 2021).

African commercial banks also carry substantial financial risks, mostly credit risks and liquidity problems, which affect their financial performance (Kiptoo et al., 2021). In Nigeria, corporate governance regulations have been strengthened by financial institutions to enhance their resilience to systemic risks (Saghir & Ch, 2020). In Kenya, banks have also developed sophisticated models for estimating credit risks to deal with the impacts of non-performing loans as well as attaining long-term profitability (Mwanzia, 2021). In sub-Saharan Africa, South Africa and Ghana have also strengthened financial regulations and supervisory frameworks with the goal of banking sector stabilization and improved overall risk management practices (Hunjra et al., 2022).

In Uganda, the banking sector remains a pillar of backbone to the economy but is constantly being confronted by risk exposure in the form of credit defaults, liquidity mismatches, and operational inefficiencies (Ahumuza, 2020). Bank of Uganda has led in the concentration of regulatory oversight, for example, by establishing the Credit Reference Bureau to oversee credit risks (Bank of Uganda, 2024). Recent releases show Uganda's commercial banking sector recorded improved levels of profitability, with total assets going up by 10.4% in 2023, as much as it has been eroded by macroeconomic uncertainties and high non-performing loans (Bank of Uganda, 2023).

Stanbic Bank Uganda, being Uganda’s largest commercial bank, has fully invested in practices of financial risk management to guarantee profitability as well as safeguard customers’ deposits (Agaba & Turyasingura, 2022). In particular, Stanbic Bank Mukono Branch is a significant financial hub, and its performance depends heavily on the extent to which it can conduct financial risk management effectively in the face of an ever-maturing competitive and uncertain financial landscape (Owomugisha, 2022).

1.2 Problem statement

Financial risk management should enable commercial banks to improve profitability, sustain liquidity, grow revenues, and strengthen market share (Mwanzia, 2021). Furthermore, previous studies by scholars like Kafidipe et al. (2021) and Siddique et al. (2022) on financial risk management and bank performance have focused on credit risk in Kenya, corporate governance and risk in Nigeria, credit risk in South Asia, and performance of Centenary Bank in Uganda. While these studies provide insights into the role of financial risk management, they have not examined how credit, liquidity, and operational risk management collectively affect the financial performance of Stanbic Bank in Uganda (Owomugisha, 2022). This gap highlighted the need for the current study to establish the relationship between financial risk management and the financial performance of commercial banks, with a specific focus on Stanbic Bank, Mukono Branch.

1.3 Purpose of the study

The purpose of this study was to examine the effect of financial risk management on the financial performance of commercial banks in Uganda with specific focus on Stanbic Bank, Mukono.

1.4 Objectives of the study

i. To examine the effect of credit risk management on financial performance of Stanbic Bank, Mukono branch.
ii. To establish the effect of liquidity risk management on financial performance of Stanbic Bank, Mukono branch.
iii. To explore the effect of operational risk management on financial performance of Stanbic Bank, Mukono branch.

1.5 Research questions

i. What is the effect of credit risk management on financial performance of Stanbic Bank, Mukono branch?
ii. What is the effect of liquidity risk management on financial performance of Stanbic Bank, Mukono branch?

iii. What is the effect of operational risk management on financial performance of Stanbic Bank, Mukono branch?

1.6 Scope of the study

1.6.1 Content Scope

The study was specifically restricted to analyzing the impact of credit risk management on Stanbic Bank's financial performance, determining the impact of liquidity risk management on Stanbic Bank's financial performance, and investigating the impact of operational risk management on Stanbic Bank's Mukono branch's financial performance.

1.6.2 Time scope

Reports and papers were reviewed throughout a five-year period, from 2021 to 2025. With a particular focus on Stanbic Bank, Mukono Branch, this timeframe offered a thorough examination of current trends and patterns in financial risk management and their impact on the financial performance of commercial banks.

1.6.3 Geographical scope

The Stanbic Bank-Mukono branch, which is situated in the Mukono Town Council, Mukono Municipality, Mukono area, Uganda, was the site of this study. Stanbic Bank was selected because, despite being the largest commercial bank in Uganda, its Mukono Branch has experienced noticeable challenges in financial performance, particularly in areas such as profitability, liquidity levels, revenue growth, and market share (Bank of Uganda, 2023).

1.7 Justification of the study

The justification for this study was based on the need to address the persisting downward spiral in the financial performance of Uganda's commercial banks despite the presence of financial risk management practice. While previous studies have concentrated on risk management in relation to credit risk management in Kenya (Mwanzia, 2021), corporate governance and risk management in Nigeria (Kafidipe et al., 2021), and Centenary Bank performance in Uganda (Owomugisha, 2022), less attention is given to the degree to which credit, liquidity, and operational risk management collectively influence profitability, liquidity levels, revenue growth, and market share in Stanbic Bank. This study was therefore needed as it filled this gap by providing empirical findings on the link between financial risk management and financial performance, and enlightens policymakers, regulators, and commercial banks on how to streamline efforts towards enhancing stability and competitiveness.

1.8 Significance of the study

The study will be significant to the management of Stanbic Bank in that it will provide evidence of how activities of financial risk management such as credit, liquidity, and operational risk management affect profitability, level of liquidity, revenue growth, and market share, thus guiding decision-making to enhance financial performance.

The study will benefit policymakers and regulators since it will provide evidence-based data on the effectiveness of risk management practices, enabling the Bank of Uganda to improve regulatory systems and supervisory systems to attain banking sector stability.

The study will be applicable to other commercial banks because it will serve as a benchmark when assessing their respective risk management systems, and it will encourage best practice implementation that is capable of yielding higher financial resilience and competitiveness.

The study will be of value to future researchers and scholars since it will provide to the body of knowledge regarding financial risk management and financial performance in the Ugandan context as a source of reference for further research and scholarly discourse.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

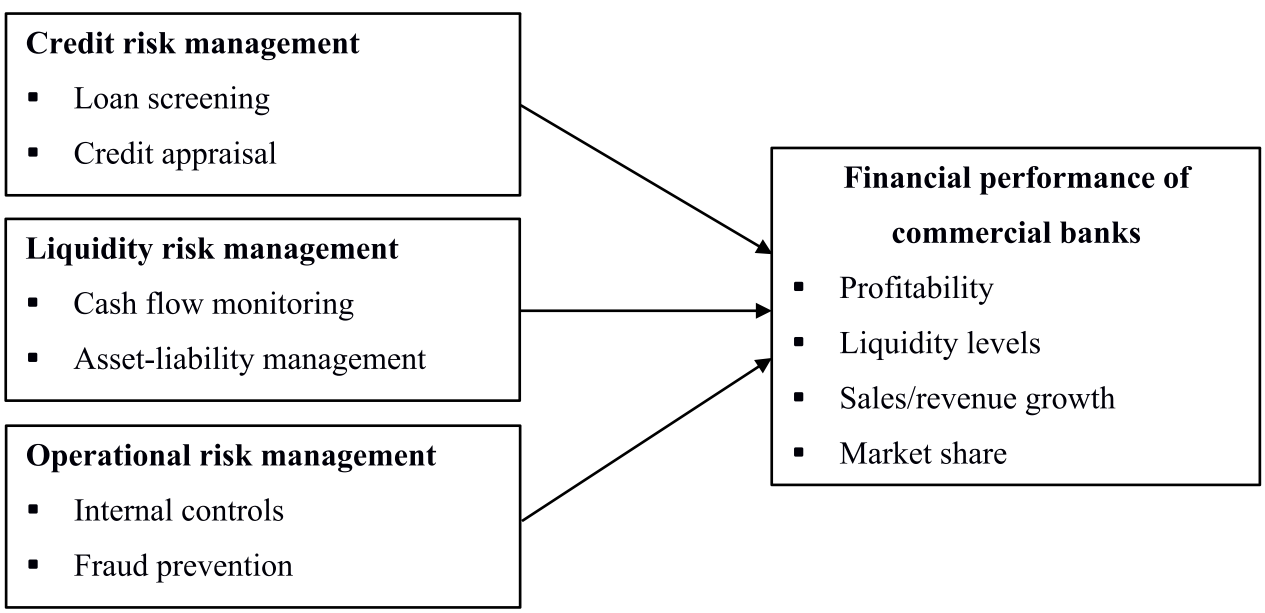
The impact of financial risk management on the financial performance of commercial banks is examined in this chapter along with the opinions of other researchers and a study of pertinent material by many experts. The primary objective of this literature is to determine what has been done and what has not been done in this field of study. As a result, research-related books, periodicals, newspapers, and encyclopedias were consulted.

2.1 Conceptual framework

Figure 1: Conceptual Framework

Independent variable **Dependent variable**

Financial Risk Management **Financial Performance**



Source: *Adopted from, Mwanzia (2021) & Owomugisha (2022) and modified by the researcher (2025)*

This conceptual framework centers on the relationship between financial risk management and commercial banks' financial performance, the example being Stanbic Bank, Mukono Branch. Financial risk management as the independent variable is translated into practice through credit risk management (loan screening and credit appraisal), liquidity risk management (cash flow monitoring and asset-liability management), and operational risk management (controls within and fraud prevention). It is believed that these practices will affect the dependent variable, financial performance, which will be gauged by profitability, liquidity levels, increase in revenue/sales and market share. According to the model, management of credit, liquidity and operational risks are effectively managed to increase profitability, maintain steady levels of liquidity, grow revenues and increase market share which leads to improvement in the overall financial performance of commercial banks.

2.2 Theoretical framework

The study was based on the Modern Portfolio Theory (MPT) of Harry Markowitz (1952). The theory highlights diversification of financial risk management and maximization of returns on a particular level of risk (Surtee & Alagidede, 2023). The theory argues that the investor or financial entities can create an optimal portfolio by diversifying among the different assets with different risk and returns to reduce the overall risk exposure. Regarding financial institutions, the theory highlights the necessity of strategic allocation of assets and effective management of credit, liquidity and operational risks to attain stable financial performance (Lukomnik & Hawley, 2021).

The Modern Portfolio Theory is based on the following principles and assumptions: It is assumed that investors are risk-averse and rational and will always aim at maximizing returns and minimizing risk. It presupposes the normal distribution of returns and the possibility of quantifying risk in terms of variance or standard deviation (Rodríguez et al., 2021). Another major assumption is that diversification eliminates the unsystematic risk i.e. that the risk in a portfolio can be eliminated by owning a portfolio of assets without correspondingly reducing expected returns. It is also based on the assumption of efficient markets and the immediate availability of information to the decision-makers (Jang and Seong, 2023).

The merits of the Modern Portfolio Theory are that it offers a quantitative diversification and risk vs. return balancing, as well as, very informed investment decisions. Portfolio optimization and risk analysis have been popular applications in financial management and banking (Berk & Tutarlili, 2021). Its weaknesses include that it makes some unrealistic assumptions about the rationality of investors, normal distribution of returns, and market efficiency, which is not necessarily true in dynamic banking. It also ignores behavioral and exogenous economic variables which may determine financial decisions (Surtee & Alagidede, 2023).

The Modern Portfolio Theory was relevant in the study since commercial banks such as Stanbic Bank are vulnerable to various types of financial risks, such as credit, liquidity, and operational risks, which should be addressed to achieve stable operations (Lukomnik & Hawley, 2021). By using MPT, Stanbic Bank will have the opportunity to diversify credit portfolios, ensure sufficient levels of liquidity reserves, and narrow the internal control systems to balance risk against the returns (Rodríguez et al., 2021). The theory thus offered a base on which the concept of sound financial risk management practices can be useful in improving profitability, liquidity and sustainability of financial performance within the banking sector in Uganda.

2.3 Credit risk management and financial performance

Al Zaidanin and Al Zaidanin (2021) examined the impact of credit risk management on the performance of commercial banks in the United Arab Emirates. They found that efficient non-performing loan management significantly boosts profitability and liquidity. The authors discovered that banks that applied proactive loan screening processes and continuous credit monitoring generated a greater return on assets (ROA) and equity (ROE) than banks with inefficient credit control systems. In the same vein, Mwanzia (2021) researched the effect of risk management on the financial performance of commercial banks in Kenya and found that sound credit vetting and client appraisal policies minimized the rate of default, hence enhancing operational efficiency and the continuous flow of revenues. The research also pointed out that banks with poor credit loss prevention due to poor loan vetting processes are prone to poor financial performance. Both papers confirm that quality of credit risk management practice is the key to profitability and long-term financial stability of commercial banks.

Siddique et al. (2022) investigated how credit risk management and bank-specific factors affected the financial performance of South Asian commercial banks and developed a significant negative correlation between non-performing loans and profitability, meaning that a poor credit risk management destroys the profits of banks. The study brought to light that effective loan recovery systems and credit risk modeling enhance banks' financial shock absorption capacity. Similarly, Kafidipe et al. (2021) examined the relationship between corporate governance, risk management, and financial performance of quoted deposit money banks in Nigeria and found that the quality of governance supports risk management practice, resulting in increased profitability. They found that sufficient board supervision and internal control in place guarantees compliance with sound credit policies, which reduces risks to default. The overall effect of all these results is that the institutional governance and the institutional policy of credit are crucial in ensuring sustainable financial performance.

Syadali et al. (2023) focused on risk management practices to address the issue of borrowing in the Islamic commercial banks and determined that the use of the Sharia-compliant credit assessment practices and the ongoing monitoring of the borrowers enhanced the financial performance significantly. The study added that the minimization of credit risk by following moral lending activities resulted in stability and profitability. Similarly, Ihyak et al. (2023) carried out a literature review of risk management in Islamic financial institutions and concluded that the risk management systems that incorporated credit risk mitigation were responsible of maintaining the profitability of institutions and safeguarding the interests of investors. In their research, it was observed that in cases where credit risk is addressed by strict screening and diversification of financing portfolios, institutions attain superior financial strength. All these studies have jointly justified the fact that credit risk management, based on ethical and strategic principles, will continue to be a concern of the financial well-being of both conventional and Islamic banks.

Hunjra et al. (2022) examined the effect of firm specific risk, such as credit risk, on bank performance in emerging economies and found that credit risk had the highest effect on profitability and poor management of credit exposure results in diminishing returns. The authors proposed the diversification of lending portfolios and regular stress tests to improve the level of financial performance. In the same way, Huang et al. (2022) studied the bank loan financing and the climate risk of firms, proving that banks that have more developed risk management systems can better assess the creditworthiness of borrowers, which enhances loan recovery and overall performance. They found that incorporation of credit risk analysis with wider environmental and operational risk factors enhances profitability. Together, these research papers highlight the mutual dependence of credit risk management, institutional robustness, and profitability in various banking settings.

Adeniran et al. (2024) on financial institution risk management and a strategic focus echoed the same that regulatory compliance and risk-based supervision positively impact credit quality and financial performance. Compliance-led credit risk frameworks were identified to promote investor confidence and sustainability in operations. Similarly, in his examination of risk management and the financial performance of Centenary Bank in Uganda, Owomugisha (2022) confirmed the importance of successful credit risk management in form of client evaluation and collateral enforcement in addition to a periodic review of risk exposure in enhancing profitability and minimizing losses with regard to loan defaults. The researcher came to the conclusion that banks in Uganda that have developed credit risk systems have better quality and stability of their assets in the long run. These empirical results are all indicative that effective credit risk management frameworks that are enabled by compliance, monitoring, and borrower assessment are key to facilitating greater financial performance of commercial banks.

2.4 Liquidity risk management and financial performance

In his research, Ahamed (2021) explored the determinants of liquidity risk of commercial banks in Bangladesh and concluded that inadequate cash flow management and asset-liability misbalancing are major contributors to liquidity risk and deter the capacity of the banks to fulfill their short-term debt, thereby reducing their profitability and sustainable operation. Ahamed also showed that banks that had excellent liquidity buffers and dynamic cash flow projections recorded higher loan repayment rates and lower funding costs as indicated by excellent net interest margins and better financial performance. In a complementary study, Chen et al. (2021) examined the impact of FinTech adoption in Chinese commercial banks and found that digital payment systems and real-time liquidity monitoring software improved intraday liquidity management by banks and reduced transaction costs, thereby improving profitability and revenue growth. Chen et al. also observed that banks which had adopted FinTech solutions in treasury operations were more effective in smoothing liquidity shocks and preserving market share during periods of market strain.

Kiptoo et al. (2021) on risk management and financial performance of insurance firms in Kenya found that sound liquidity risk practices such as close control over cash flows and regular asset-liability analyses were associated with improved solvency positions and more stable premium income, lessons potentially transferable to commercial banks about how liquidity management supports the earnings in the long run. Kiptoo et al. asserted that institutions which do not honor short-term funding commitments have a greater tendency to have high-cost emergency funding, which erodes profitability and investor confidence. In the same regional context, Agaba & Turyasingura (2022) assessed the accounting practices of chosen Ugandan commercial banks and found that improved cash management and liquid asset reporting within a timely manner allowed institutions to better control loan-to-deposit relations and afford healthier liquidity levels, which sustained revenue stability and market positioning. Agaba & Turyasingura also observed that liquidity reporting and forecasting deficiencies caused cyclical imbalances that restricted the ability of the banks to raise lending and build interest income.

Ahamed (2021) also showed that banks operating in situations with uncertain deposit bases experienced higher volatility in liquidity ratios and therefore had more volatile profitability measures, highlighting the direct linkage between liquidity risk management and financial performance. Ahamed emphasized that forward-looking liquidity contingency planning, such as pre-arranged lines of credit and diversified funding pools, mitigates this volatility and preserves return on assets during downturns. Simultaneously, Chen et al. (2021) provided evidence that automation of predictive analytics and liquidity reporting alleviated the delay in detecting liquidity stress, allowing for faster corrective action and mitigating the adverse impact on non-interest income streams and net interest margins. Chen et al. concluded that technology upgrading of liquidity management is the key driver for competitive market share and revenue growth in digitalizing banking industries.

Huang et al. (2022) discovered that sound asset-liability management frameworks helped firms effectively reduce liquidity mismatches to a large degree, substantially decreasing the level of distress fundings and keeping capital adequacy to achieve improved return on equity and improved investor confidence. Huang et al. also proposed that coordinated credit and liquidity management policies lower systemic liquidity shocks, thereby bringing about stable earnings and protecting banks' market share even during financial crises. Similarly, Adeniran et al. (2024) found that robust internal liquidity controls along with transparent reporting of liquid asset positions enhanced regulatory confidence and availability of cheaper funds, which supported profitability as well as revenue growth. Adeniran et al. also discovered that inadequately performing institutions with ineffective liquidity management facilities had increased cost of funding and lower lending limits limiting the growth of revenues in the long term.

Syadali et al. (2023) concluded that the use of digital and Sharia-compliant liquidity solutions enhanced the efficiency of operations with the structuring of funding and assets, thereby reducing settlement risk and enhancing overall financial performance. Syadali et al. also emphasized that banks can enhance liquidity ratios and profitability through the adoption of technology-based liquidity monitoring systems in treasury operations, allowing maximum cash buffers without restricting lending possibilities. In confirmation, Ihyak et al. (2023) noted that regulation's compliance with liquidity standards, such as liquidity coverage ratios and stress testing, is essential for improving resilience to liquidity crises, even though excessive compliance will result in dormant funds that limit investment scope. Ihyak et al. therefore suggested harmonized liquidity management with a balanced strategy between regulatory compliance and proactive optimization of assets and liabilities to ensure financial performance.

2.5 Operational risk management and financial performance

Mwanzia (2021) in his study determined that effective operational risk management practices such as effective internal controls and frequent operational audits significantly reduce loss events as well as cost-to-income ratios of banks, thus healthy financial performance. A study by Kafidipe et al. (2021) also determined that effective corporate governance in combination with operational risk controls improves control and reduces operational loss, thus improved profitability and return on equity in deposit money banks.

Hunjra et al. (2022) compared firm-specific risks and illustrated that operational risk when not controlled with poor internal controls and poor process design causes greater operating losses and lowers net income and thereby negatively affects bank performance. Adeniran et al. (2024) in yet another study determined that strategic operational risk management through explicit policies, staff training, and accident reporting mechanisms increases regulatory compliance and reduces surprise cost shocks, which results in steadier profitability trajectories.

Owomugisha (2022) on Ugandan commercial bank reported that improved branch-level operational control and anti-fraud practices reduced loss provisions and improved reported earnings, implying a strong association of operational risk controls with bank financial performance. Agaba & Turyasingura (2022) provided further research that unambiguous accounting rules and timely reporting of operations reduce information asymmetry for managers and investors, which has a tendency to preserve investor confidence and, in addition, has a positive influence on market measures of performance.

Chen et al. (2021) set the precedent that operational processes with the combination of FinTech and automation reduce manual errors and settlement delays, which reduces operational costs and increases non-interest income, enhancing overall financial performance. Syadali et al. (2023) set the precedent in a different study that operational risk strategies for an institutional environment such as Sharia-compliant controls in Islamic banks reduce operational disruptions and enable steady revenue streams, enhancing institution-level profitability.

Ihyak et al. (2023) in literature review emphasized that an integrated framework of operational risk entailing business continuity planning, employee skills, and fraud detection renders an organization more robust and less volatile in earnings, resulting in superior long-term financial performance. Another article by Huang et al. (2022) went more further to argue that when the management of operational risk is aligned with the overall risk strategies (climate risks and credit risks), banks can provide more optimal capital allocation and maintain lending operations without experiencing disproportional operational losses, therefore, maintaining higher returns and market stability.

2.6 Summary of literature review and literature gaps

Although previous research established a positive relationship between risk management in finance and finance performance, most of it has been in international contexts with no immediate applicability to the Ugandan banking environment. Previous research has focused mostly on independent forms of risk such as credit or liquidity risk and not the aggregated effect of operational risk and its interaction with other dimensions of risk. Also, there are limited empirical studies to examine the influence of internal controls, fraud prevention measures, and technology adoption on branch-level financial performance. The literature additionally provides that limited localized evidence has been found showing the way financial risk management practices turn into profitability, liquidity stability, and market growth in a particular commercial bank such as Stanbic Bank, Mukono Branch. This study thus sought to narrow these contextual and dimensional differences by providing empirical evidence from the Ugandan context.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

The research strategy used is described in this chapter. It described the methodology used for this study. Included are the study demographic, sample size, and study design. The description of variables, the sampling procedure, research instruments, data management and analysis, ethical considerations, and study limitations are also covered.

3.1 Research Design

Bloomfield & Fisher (2019) defines research design as the process of designing the procedure for conducting the research. This study employed a cross-sectional survey research design in an effort to obtain data from respondents at Stanbic Bank, Mukono Branch, at a single point in time without replication. The design was selected because of its time efficiency and capacity to capture precise data on the role financial risk management plays in financial performance. It also helped the researcher in capturing and comparing information gathered at one point in time, providing a distinct impression of the existing practices in financial risk management. The population for this research was workers with different roles, experiences, and demographic backgrounds. Besides, the use of a cross-sectional study helped transform assumptions to empirical evidence of financial risk management practices on financial performance (Patrik & Ugo, 2019). Furthermore, the research employed the use of quantitative research approach. Using quantitative researcher approach, questionnaires were administered to sampled employees of different departments in Stanbic Bank, Mukono Branch, during the process of quantitative data collection (Spector, 2019).

3.2 Area of the study

This study was carried out in Stanbic Bank-Mukono branch located in Mukono Town Council, Mukono Municipality, Mukono district, Uganda. Stanbic Bank was selected because, despite being the largest commercial bank in Uganda, its Mukono Branch has experienced noticeable challenges in financial performance, particularly in areas such as profitability, liquidity levels, revenue growth, and market share (Bank of Uganda, 2023).

3.3 Study population

The population, according to Trochim (2006), is the group from which a researcher wishes to draw a sample in order to draw generalizations. All employees and senior staff members of the Stanbic Bank branch in Mukono were included in the study population. There are 60 employees at the Stanbic Bank headquarters in Kampala, according to HRM records from 2025. This figure served as the basis for the sample size that enabled the researcher to obtain the necessary data.

3.4 Sampling procedure and sample size

The sample size consisted of 52 respondents drawn from a total of 60 individuals who work in various departments at Stanbic Bank-Mukono branch and this sample size was determined using Krejcie and Morgan (1970) table. Furthermore, the top management of Stanbic Bank-Mukono branch specifically the branch manager, operations manager, risk manager, credit manager and internal auditor were include in the study as the key informants.

3.5 Sampling technique and method

Stratified sampling technique was applied in this study. Stratified sampling was employed while selecting staff from the different departments of Stanbic Bank, Mukono Branch. This involved the separation of the population into homogeneous subgroups (strata) such as operations, credit, risk management, and customer service, from which a proportionate sample was taken randomly. This ensured that all departments are equally represented and enhances the validity and generalizability of the findings on financial risk management and financial performance.

3.6 Sources of data

Primary source: For any field of study, primary data are crucial because they provide precise information on the results of an experiment or observation. field-based primary data and self-administered surveys. Using primary data, the researcher was able to obtain information for the particular objectives of their study. The data was collected independently by the researcher using questionnaires.

Secondary source: "Secondary data" refers to information that has been handled, gathered, and possibly examined by someone other than the researcher. Scholarly papers and articles are the most often used secondary sources for historical research assignments. The data was gathered from already released sources, such as publications, journals, e-books, and published studies. Documentary resources are categorized to assist the gathering of data and the interpretation of text (Mubazi 2008).

3.7 Data collection method

Data for the study was gathered via a questionnaire survey. Information regarding financial risk management on the financial performance of Uganda's commercial banks was obtained using this data collection approach.

3.7.1 Survey

A survey, according to Amin (2005), is a self-report study that is used to collect information regarding variables of interest. This study utilized a questionnaire survey to collect quantitative information on financial risk management and financial performance from the sampled employees of Stanbic Bank, Mukono Branch. The questionnaire contained structured items that have been formatted to generate responses suited to the study objectives. This survey strategy was utilized since it allows effective collection of bulk data, which empowered the researcher to quantify trends, associations, and patterns of financial risk management and financial performance (Mchumu, 2011).

3.8 Data collection instrument

A systematic questionnaire was used to collect data for the study.

3.8.1 Questionnaires

Closed questions with varying potential answers were included in questionnaires. Respondents were required to tick the best answer responding to their views of financial risk management and financial performance (Mugenda & Mugenda, 2005). Answers were restricted to the items on the questionnaire, which were standardized and structured, helping to ensure validity and control extraneous variables (Sarantakos, 2005). For gathering data on the research topic, a systematic questionnaire with study variable sections was designed and disseminated. The questionnaire used a five-point Likert scale with response options ranging from (5) strongly agree, (4) agree, (3) not sure, (2) disagree, to (1) strongly disagree. Likert scale format was employed as it presents respondents with a range of alternatives and facilitates the tabulation of data for analysis. With permission, the questionnaire was administered to the 52 employees shortlisted from different departments within Stanbic Bank, Mukono Branch.

3.9 Data collection procedure

Following receipt of an introduction and recommendation letter from Uganda Christian University, the researcher approached a number of respondents in order to conduct interviews and provide questionnaire guidelines. She then requested permission from the various respondents at the Stanbic Bank-Mukono branch to use them as a case study.

3.10 Validity and reliability of the research instruments

3.10.1 Validity

Validity was carried out to ascertain whether the queries secure the needed data. Researchers looked at the questions to see if they could elicit the desired response. A Content Validity Index (CVI) was computed to determine the research tool's validity. The following formula was used by the researcher to demonstrate the reliability of the research instruments.

$$\text{Content validity Index (CVI)} = \frac{\text{Relevant items by all judges as suitable}}{\text{Total number of items judged.}}$$

The CVI was 0.83 which exceeded the recommended threshold of 0.70 (Duckett, 2021), hence suggesting that the questionnaire was effective for data collection.

3.10.2 Reliability

According to Mugenda & Mugenda (2003), reliability is a measure of how consistently a research tool produces data or results after multiple trials. The reliability of the questionnaire was assessed using the Cronbach's coefficient alpha. The reliability results of a pilot research with five respondents were computed using the Statistical Package for the Social Sciences (SPSS). The coefficient was 0.85 which exceeded the suggested level.70 (Amin, 2005), hence suggesting that the survey was appropriate for gathering data.

3.11 Data Analysis

3.11.1 Analysis of quantitative data

Because SPSS version 26 is both user-friendly and appropriate for handling the study's regressions and correlations between the variables, it was utilized to analyze the data. SPSS was especially helpful to the researcher when assessing the quantitative data from the questionnaires. Each variable was coded and given a name for computer entry. Second, every response was coded to facilitate computer data entry. Thirdly, after data entry was complete, scales with negative phrasing were recorded and assigned new values. Fourth, to derive composite scores for scale items, target variables were computed. Fifth, data was examined in order to minimize data entry errors. Quantitative data was examined using bivariate, multivariate, and descriptive statistics to determine the level of correlation between the independent and dependent variables.

3.12 Ethical Considerations

Ethics encompass the guidelines that differentiate between right and wrong conduct. They play a crucial role in delineating acceptable from unacceptable behaviors (Pietilä et al., 2020). The following moral principles were respected;

The researcher ensured that all personal data was securely saved and used only for the goals outlined in the study in order to protect participant privacy. To prevent misuse, all data was treated strictly in accordance with privacy laws and regulations, and no unauthorized individuals had access to the information (Chervenak & McCullough, 2021).

The researcher ensured that each participant was fully informed about the objectives of the study, the nature of participation, and any potential risks in order to acquire informed consent. Participants had to sign a consent form attesting to their voluntary involvement and comprehension of the study.

The researcher ensured that no section of the study report disclosed the participants' identities in order to preserve participant anonymity. To prevent anyone reading the final report from being able to identify or locate specific participants, any identifying information was removed or classified.

To maintain anonymity, the researcher ensured that any personal information collected was secure and only accessible by the research team. Only aggregated or anonymised data was used for the study, and participant responses were disclosed to external parties.

To avoid plagiarism, the researcher ensured that all information, ideas, or data from other researchers or publications were properly credited through accurate citations and references. All direct quotes were appropriately tagged and referred to their original sources in order to maintain academic integrity.

Finally, by following to institutional standards and maintaining the ethical ideals of fairness and respect throughout the whole study process, the researcher ensured the integrity of the research findings and the protection of participants' rights.

3.13 Limitations and delimitations of the study

Some respondents were reluctant to provide information because they did not know where it will be utilized. Due to the university's exceptional reputation as a learning institution in the field of study, this issue was overcome by obtaining an introductory letter from it.

The researcher was also constrained by the amount of money required to support the study, which included paying for printing, persuading responders, and driving to the facility to gather data. However, the researcher used self-initiatives and strategies to arrange financial help from well-wishers, including relatives.

Lastly, not all questions were answered due to respondent conditions including travel, illness, hospitalization, or refusal or withdrawal to participate.

CHAPTER FOUR

DATA PRESENTATION AND INTERPRETATION OF FINDINGS

4.0 Introduction

The results of the analysis conducted to look at the particular goals of the study and in relation to the examined literature are presented and discussed in this chapter. Employees from the various departments of the Stanbic Bank branch in Mukono were asked to complete questionnaires as part of the study. Tables are used in the presentation of the results to aid in understanding and clarity.

4.1 Response rate

52 respondents in all were intended to participate in the study using questionnaires, and as Table 1 below illustrates in regard to the various categories, all of them were effectively involved.

Table 1: Response rate

Response Rate	Frequency	Percentage
Response	52	100%
Non Response	00	00%
Total	**52**	**100%**

Source: *Primary data*

Table 1 above shows that a total of 52 (100%) respondents who work in the various departments of the Stanbic Bank branch in Mukono were anticipated to participate in the survey. All of the respondents provided their answers, resulting in a 100% response rate. The high response rate was a result of the researcher having ample time to gather the data on her own and the very modest number of respondents needed. Ahuja (2009) stated that a response rate of 50% is sufficient for analysis, 60% is good, and 70% is outstanding. As a result, the 100% response rate was deemed dependable and suitable for the research.

4.2 Findings on demographic characteristics of respondents

As indicated in the table below, this section provides the respondents' general background information including their gender, age, greatest level of education, department, and duration of employment within the study context;

Table 2: Background Information about the respondents

Item	Description	Frequency	Percentage (%)
Gender	Male	34	65.4
	Female	18	34.6
	Total	**52**	**100.0**
Age bracket	21-30 years	19	36.6
	31-40 years	23	44.2
	41-50 years	10	19.2
	Total	**52**	**100.0**
Level of education	Bachelor’s degree	35	67.3
	Master’s degree	12	23.1
	Others	5	9.6
	Total	**52**	**100.0**
Department	Administration department	5	9.6
	Credit department	25	48.1
	Operations department	9	17.3
	Audit department	6	11.5
	IT department	7	13.5
	Total	**52**	**100.0**
Period spent working	Less than 1 year	7	13.5
	1-5 years	16	30.8
	6-10 years	18	34.6
	Above 10 years	11	21.1
	Total	**52**	**100.0**

Source: *Primary data*

Table 2 above shows that 34.6% of respondents were female and 65.4% of respondents were male in the study environment. This suggests that there is a greater proportion of men in the response group.

The results also showed that 44.2% of respondents are between the ages of 31 and 40. Those in the 21–30 age range, who made up 36.6% of the total, came next. The age group with the lowest representation (19.2%) was 41–50 years old. With a large percentage of respondents under 40, this distribution shows that the majority of workers are young to middle-aged.

Furthermore, the findings demonstrated that the largest proportion of those participants 67.3 percent of the sample have bachelor's degrees. Those with master's degrees came next, with 23.1% and 9.6% of respondents, respectively, stating that they had other credentials, including postgraduate certificates, CIPS, CPA, and ACCA. This suggests that because all of the staff members at the Stanbic Bank branch in Mukono have advanced degrees, they were all able to comprehend, analyze, and react to the study with ease.

Additionally, the results showed that the department with the highest percentage of responders (48.1) is credit and loans. The information and technology department scored 13.5, followed by the operations department with 17.3. The administration department had the lowest representation, with 9.6%, while the audit department accounted for 11.5%. This shows that departmental representation is diverse, with the credit and loans department having relatively more presence.

Finally, the results showed that most of the respondents have served Stanbic Bank 6-10 years which was 34.6% of the result. This was succeeded by those that had 1-5 years, which constituted 30.8. The 21.1% employees who have a working experience of more than 10 years with Stanbic Bank were the greatest and the least was 13.5 percent who had less than 1 year. This means that the workforce is highly experienced with the majority of the respondents having worked comparatively long periods with the financial institution.

4.3 Effect of credit risk management on financial performance of Stanbic Bank

Table 3 is a summary of the answers of respondents on the impact of credit risk management on financial performance of Stanbic Bank, Mukana branch on a Likert scale where SA (Strongly Agree), A (Agree), NS (Not Sure), D (Disagree) and SD (Strongly Disagree).

Table 3: Effect of credit risk management on financial performance

Statements	**Extent of agreement & disagreement**				
	SA	A	NS	D	SD
	Freq. (%)	Freq. (%)	Freq. (%)	Freq. (%)	Freq. (%)
The bank thoroughly evaluates borrowers' creditworthiness before approving loans.	28 53.8%	16 30.8%	00	8 15.4%	00
Regular monitoring of loan repayment schedules is conducted to minimize defaults.	26 50.0%	21 40.4%	00	5 9.6%	00
Credit appraisal processes at the bank help in reducing non-performing loans.	26 50.0%	16 30.8%	00	10 19.2%	00
The bank maintains a diversified loan portfolio to reduce exposure to high-risk clients.	28 53.8%	13 25.0%	00	5 9.6%	6 11.3%
Internal policies ensure timely follow-up on overdue loans.	33 63.5%	13 25.0%	3 5.8%	3 5.8%	00
Staff are adequately trained on credit risk assessment and management practices.	23 44.2%	18 34.6%	00	11 21.2%	00

Source: *Primary data*

Table 3 is the descriptive statistics of the impact of credit risk management on financial performance of Stanbic Bank, Mukono branch. The study found that 88.6% of the respondents concurred that internal policies guarantee prompt follow-up on outstanding loans, 5.8% disagreed and 5.8% were unsure about the statement. This means that prompt follow ups enhance loan recovery procedures, limit defaults and enhance cash flow, which ultimately leads to the financial well-being of the bank.

The findings also revealed that 84.6% of the respondents agreed that the bank thoroughly evaluates borrowers' creditworthiness before approving loans, while 15.4% disagreed with the statement. This implies that rigorous credit assessment reduces the risk of lending to high-risk clients, ensuring loan quality and supporting sustainable profitability.

Furthermore, the findings established that 90.4% of the respondents agreed that regular monitoring of loan repayment schedules is conducted to minimize defaults, whereas 9.6% disagreed with the statement. This implies that consistent tracking of repayments enhances timely collection of funds, reduces non-performing loans, and promotes stable revenue streams for the bank.

More so, the findings indicated that 80.8% of the respondents agreed that credit appraisal processes at the bank help in reducing non-performing loans, while 19.2% disagreed with the statement. This also means that formal appraisal systems can help more effectively determine the existence of credit risk, reducing financial losses and enhancing operational efficiency.

Also, the findings indicated that 78.8% of respondents believed that employees are well trained on the credit risk assessment and management practices and 21.2% were not certain or did not agree. This means that when employees are well trained, they will be able to detect and deal with credit risks efficiently to improve the quality of loans and ultimately increase financial performance.

Finally, the results showed that 78.8% of the participants were in agreement that the bank has a diversified loan portfolio to limit the exposure to high-risk clients and 20.9% did not agree with this statement. This means the lending business risk is diversified among various clients making it less susceptible to defaults and helps sustain profitability.

In general, the results show that credit risk management is positively related to financial performance at the Stanbic Bank, Mukana Branch, with most of the respondents agreeing with all the statements. The results demonstrate that credit assessment, loan monitoring, appraisal processes, staff training, and portfolio diversification collectively enhance loan quality, reduce defaults, and strengthen profitability and financial stability in the bank. The findings of the study concerning the effect of credit risk management on financial performance of Stanbic Bank, Mukono branch, were further determined using Pearson's correlation that was conducted as shown below;

Table 4: Pearson's correlation credit risk management and financial performance

Correlations

		Credit risk management	Financial performance
Credit risk management	Pearson Correlation	1	.636**
	Sig. (2-tailed)		.000
	N	52	52
Financial performance	Pearson Correlation	.636**	1
	Sig. (2-tailed)	.000	
	N	52	52

**. Correlation is significant at the 0.05 level (2-tailed).

Source: *Primary data*

The results presented in the above table demonstrate a strong positive correlation between credit risk management and the financial performance of the Mukono branch of Stanbic Bank. R-values of 0.636** and significant p-values of 0.000 at the 0.05 (2-tailed) level support this link ($r = .636^{**}$, $p < .05$). This indicates that Stanbic Bank, Mukono Branch's financial performance is directly correlated with effective credit risk management. Therefore, strengthening credit risk assessment, monitoring, and mitigation strategies may enhance the bank's financial performance.

4.4 Effect of liquidity risk management on financial performance of Stanbic Bank

Table 5 sums up the response of the respondents on the impact of liquidity risk management on financial performance of Stanbic Bank, Mukono branch through a Likert scale where SA (Strongly Agree), A (Agree), NS (Not Sure), D (Disagree) and SD (Strongly Disagree).).

Table 5: Effect of liquidity risk management on financial performance

Statements	**Extent of agreement & disagreement**				
	SA	A	NS	D	SD
	Freq. (%)	Freq. (%)	Freq. (%)	Freq. (%)	Freq. (%)
The bank regularly monitors cash flow to ensure it can meet short-term obligations.	13 25.0%	23 44.2%	00	10 19.2%	6 11.5%
Asset-liability management practices help in maintaining adequate liquidity levels.	9 17.3%	31 59.6%	00	12 23.1%	00
Contingency plans, such as pre-arranged credit lines, are in place to handle liquidity shortages.	23 44.2%	18 34.6%	00	11 21.2%	00
The bank invests in liquid assets to strengthen its financial stability.	23 44.2%	16 30.8%	00	10 19.2%	3 5.8%
Technology and software tools are used to track and manage daily liquidity positions.	26 50.0%	16 30.8%	00	10 19.2%	00
Employees are aware of procedures for managing sudden withdrawals or cash shortages.	33 63.5%	13 25.0%	00	3 5.8%	3 5.8%

Source: *Primary data*

Table 5 is the descriptive statistics of the impacts of liquidity risk management on the financial performance of Stanbic Bank, Mukono branch. The study showed that 88.5% of the respondents affirmed that employees know its procedures of handling sudden withdrawals or cash shortage, yet 11.6% rejected the statement. This means that employee readiness to deal with the unexpected liquidity requirements helps to improve the capacity of the bank to fulfill its liabilities, alleviates the financial burden, and increases its stability and performance.

The results further indicated that 80.8 percent of the participants had concurred that daily liquidity positions are tracked and managed using technology and software tools and 19.2 percent of the participants did not agree with the statement. This means that efficient monitoring on technology can lead to real-time management of liquidity, minimizing the risk of cash crunch, and making sound financial decisions.

Furthermore, the findings established that 75.0% of the respondents agreed that contingency plans, such as pre-arranged credit lines, are in place to handle liquidity shortages, whereas 21.2% disagreed with the statement. This implies that having contingency measures enhances the bank's capacity to respond to liquidity challenges, ensuring continuity of operations and safeguarding financial performance.

Moreover, the results also confirmed that 75.0 percent of the respondents believed that there are contingency plans in place like pre-arranged credit lines to provide liquidity during liquidity shortages and 21.2 percent disagreed with the statement. It means that the ability to react to liquidity pressures will increase with the availability of contingency measures, which guarantee the continuation of the operations and preserves financial performance of the bank.

In addition, the results showed that 76.9% of the respondents agreed that asset-liability management practices help in maintaining adequate liquidity levels, whereas 23.1% disagreed with the statement. This means that asset-liability initiatives enhance management of cash flows, reduce liquidity risks and lead to sustainable financial performance.

Finally, the results indicated that 69.2 per cent of the respondents concurred that the bank continually checks its cash flow to make sure that it is in a position to cover the short-term obligations whereas 30.7 per cent of the respondents differed with the statement. This means that periodic cash flow control will allow an early detection of liquidity disruptions, and the bank will be able to mitigate risks and keep financial stability.

In general, the results show that financial performance of Stanbic Bank, Mukana Branch is strongly positively related with liquidity risk management as most of the respondents expressed the same sentiment in all the statements. The findings reveal that the level of awareness among personnel, technological applications, contingency planning, liquid asset investment and efficient asset-liability management are all effective in increasing liquidity control, minimizing risks, and improving the financial performance of the bank. The results of the study about the impact of liquidity risk management on financial performance of Stanbic Bank, Mukono branch were also established through Pearson correlation that was performed as illustrated below;

Table 6: Pearson's correlation liquidity risk management and financial performance

Correlations

		Liquidity risk management	Financial performance
Liquidity risk management	Pearson Correlation	1	.674**
	Sig. (2-tailed)		.000
	N	52	52
Financial performance	Pearson Correlation	.674**	1
	Sig. (2-tailed)	.000	
	N	52	52

**. Correlation is significant at the 0.05 level (2-tailed).

Source: *Primary data*

The results shown in the above table demonstrate a strong positive correlation between the financial performance of the Stanbic Bank branch in Mukono and liquidity risk management. R-values of 0.674** and significant p-values of 0.000 at the 0.05 (2-tailed) level (r =.674**, p <.05) support this link. This implies that effective liquidity risk management is significantly associated with improved financial performance of Stanbic Bank, Mukono Branch, indicating that strengthening liquidity monitoring, asset-liability management, and contingency planning is likely to enhance the bank's financial outcomes.

4.5 Effect of operational risk management on financial performance of Stanbic Bank

Using a Likert scale with SA (strongly agree), A (agree), NS (not sure), D (disagree), and SD (strongly disagree), Table 7 highlights respondents' opinions regarding the impact of operational risk management on the financial performance of the Stanbic Bank, Mukono branch.

Table 7: Effect of operational risk management on financial performance

Statements	Extent of agreement & disagreement				
	SA	A	NS	D	SD
	Freq. (%)	Freq. (%)	Freq. (%)	Freq. (%)	Freq. (%)
The bank has effective internal controls to prevent operational errors and fraud.	28 53.8%	16 30.8%	00	8 15.4%	00
Regular operational audits are conducted to identify and mitigate risks.	26 50.0%	21 40.4%	00	5 9.6%	00
Standard operating procedures are followed consistently to reduce process failures.	23 44.2%	21 40.4%	00	8 15.4%	00
Employees receive training on operational risk awareness and management.	26 50.0%	16 30.8%	00	10 19.2%	00
Business continuity plans are in place to handle emergencies and unexpected disruptions.	28 53.8%	13 25.0%	00	5 9.6%	6 11.5%
Operational risk management policies improve efficiency and reduce losses in daily operations.	30 57.7%	12 23.1%	6 11.5%	4 7.7%	00

Source: *Primary data*

Table 7 represents the descriptive statistics on the effect of operational risk management on financial performance of Stanbic Bank, Mukono branch. According to the study, 80.8% of the respondents agreed that operational risk management policies improve efficiency and reduce losses in daily operations, whereas 7.7% disagreed and 11.5% were not sure about the statement. This implies that having clear risk management policies enhances operational efficiency, minimizes financial losses, and contributes positively to the bank’s overall performance.

The findings also revealed that 78.8% of the respondents agreed that the bank has effective internal controls to prevent operational errors and fraud, while 15.4% disagreed with the statement. This implies that strong internal controls help safeguard the bank's assets, reduce operational mistakes, and strengthen financial stability, thereby improving performance.

Furthermore, the findings established that 75.0% of the respondents agreed that regular operational audits are conducted to identify and mitigate risks, whereas 9.6% disagreed with the statement. This implies that systematic audits provide early detection of potential operational risks, enabling corrective actions that protect the bank from financial losses and inefficiencies.

More so, the findings indicated that 75.0% of the respondents agreed that employees receive training on operational risk awareness and management, while 19.2% disagreed with the statement. This implies that staff training equips employees with the knowledge and skills to identify and manage operational risks, reducing errors and supporting smoother operations.

In addition, the results showed that 74.2% of the respondents agreed that standard operating procedures are followed consistently to reduce process failures, whereas 15.4% disagreed with the statement. This implies that adherence to SOPs ensures uniformity in operations, minimizes process inefficiencies, and strengthens overall organizational performance.

Lastly, the findings revealed that 78.8% of the respondents agreed that business continuity plans are in place to handle emergencies and unexpected disruptions, while 21.1% disagreed with the statement. This implies that having effective business continuity measures ensures resilience during unforeseen events, maintaining operations and protecting the bank's financial performance.

Overall, the findings indicate that operational risk management has a strong positive relationship with financial performance at Stanbic Bank, Mukono Branch, as evidenced by the majority of respondents agreeing across all statements. The results demonstrate that internal controls, audits, staff training, adherence to procedures, risk management policies, and business continuity planning collectively enhance operational efficiency, reduce losses, and strengthen the financial performance of the bank. The findings of the study concerning the effect of operational risk management on financial performance of Stanbic Bank, Mukono branch, were further determined using Pearson's correlation that was conducted as shown below;

Table 8: Pearson's correlation operational risk management and financial performance

Correlations

		Operational risk management	Financial performance
Operational risk management	Pearson Correlation	1	.605**
	Sig. (2-tailed)		.000
	N	52	52
Financial performance	Pearson Correlation	.605**	1
	Sig. (2-tailed)	.000	
	N	52	52
**. Correlation is significant at the 0.05 level (2-tailed).			

Source: *Primary data*

The results shown in the above table demonstrate a strong positive correlation between Stanbic Bank's Mukono branch's financial performance and operational risk management. R-values of 0.605** and significant p-values of 0.000 at the 0.05 (2-tailed) level support this link ($r = .605^{**}$, $p < .05$). This suggests that Stanbic Bank's increased financial performance is strongly correlated with efficient operational risk management, Mukono Branch, indicating that strengthening internal controls, operational audits, staff training, and business continuity planning is likely to positively influence the bank's financial outcomes.

CHAPTER FIVE

SUMMARY, DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

The results are discussed in this chapter in light of the literature. In accordance with the study's questions, it also summarizes all of the results presented in chapter four, draws conclusions, makes recommendations, and offers some areas for additional research.

5.1 Summary of findings

The study findings revealed that credit risk management has a strong positive effect on the financial performance of Stanbic Bank, Mukono Branch. The majority of respondents agreed that internal policies, thorough credit assessments, regular monitoring of loan repayments, structured credit appraisal processes, staff training, and portfolio diversification collectively minimize defaults, improve loan quality, and strengthen cash flow and profitability. This relationship further implies that effective credit risk management practices directly contribute to enhanced financial performance and overall stability of the bank.

Moreover, the results of the study determined that liquidity risk management is strongly positively correlated with financial performance of Stanbic Bank, Mukono Branch. Most of the respondents concurred that being aware of the procedures involved in managing a cash shortage, the use of technology to monitor liquidity, the use of contingency plans, investment in liquid assets, asset-liability management practices, and frequent cash flow monitoring are all effective in ensuring that the bank can manage the liquidity risks, financial stability, and profitability. The relationship also suggests that proper liquidity risk management will lead to a better financial performance and operational resilience of the bank.

Finally, the results showed that operational risk management positively impacts the financial performance of Stanbic Bank, Mukana Branch. Most of the respondents concurred those effective policies on operational risk management, good internal controls, frequent audits, staff training, compliance to standard operating procedures, and business continuity plans all contribute to operational efficiency, reduce errors and losses, and are resilient in case of a disruption. This association also suggests that operational risk management is directly related to better financial results, and that enhancing risk mitigation measures will result in better overall financial results of the bank.

5.2 Discussion of findings

5.2.1 Effect of credit risk management on financial performance of Stanbic Bank

The results of the survey clearly indicate a significant positive impact of credit risk management on the financial performance of Stanbic Bank, Mukono Branch. Most survey participants concurred that internal policies, careful credit checks, frequent loan repayment monitoring, organized credit appraisal systems, staff training, and portfolio diversification taken together help to reduce defaults, raise loan quality, and boost profitability and cash flow. The results support the work of Al Zaidanin and Al Zaidanin (2021) who discovered that careful credit risk management techniques including borrower evaluation and loan monitoring greatly improve the financial performance of UAE's commercial banks. Likewise, Siddique et al. (2022) contend that banks using structured credit assessment and risk management strategies see lower non-performing loans and better revenue stability. Effective credit risk management is essential in preserving bank stability and profitability, as these studies back up the present results.

Reflecting the need of human capital in risk management, the results also showed that staff training and adherence to credit assessment methods greatly enhance financial performance. This conclusion supports the research by Adeniran et al. (2024), which emphasizes that in banks, good compliance and financial performance are enhanced by strategic risk management methods including staff training and operational policy adherence. Likewise, Owomugisha (2022) showed that, in Ugandan commercial banks, policy enforcement and training both have a beneficial effect on operational efficiency and loan recovery. On the other hand, some studies like Hunjra et al. (2022) show that in some situations, company-specific risks might not always lead to better financial performance, especially when external market conditions are more important. This means that managing credit risk by itself might not ensure that all banking environments will see better results.

Moreover, the results showed that profitability and lowering exposure to high-risk clients depend on portfolio diversification, therefore somewhat supporting Berk and Tutarlı (2021), who contend that contemporary portfolio theory stresses diversification to lower financial risk. In contrast to certain points of view (e.g., Rodríguez et al. 2021) that diversification by itself is adequate to lower risk, the present study stresses that internal regulations and monitoring need to be coupled with diversification to be successful. This means that, as much as the concept of diversity is supported by theoretical models, practical implementation within the commercial banks like Stanbic would require concerted credit risk management strategies to enhance the financial performance in a sustainable manner. Throughout the study, it can be broadly concluded that the financial stability and profitability can be enhanced through a combination of a robust credit evaluation, monitoring, staff development, and portfolio diversification.

5.2.2 Effect of liquidity risk management on financial performance of Stanbic Bank

The results of the research showed that effective control of liquidity risk greatly improves the financial performance of Mukono Branch of Stanbic Bank. The respondents said that regular cash flow monitoring, staff knowledge of cash shortage management policies, use of technology to track liquidity, and together improve the bank's capacity to satisfy short-term commitments and keep operational stability. The results connect with those of Ahamed (2021), who discovered that good liquidity management including cash flow monitoring and staff readiness is absolutely essential to keep solvency and make sure that commercial banks in Bangladesh run well. Mwanzia (2021) found, too, that in Kenyan commercial banks, proactive liquidity risk management enhances operational resilience and boosts financial results, hence supporting the current study's finding that liquidity control straight helps with financial performance.

The results of the research showed that managing unanticipated liquidity issues at the bank depends rather a lot on investment in liquid assets as well as contingency planning including pre-arranged credit lines. The results correspond with the work of Chen et al. (2021) who claimed that combining financial technology and strategic liquidity buffers lets Chinese commercial banks react successfully to unanticipated liquidity needs, therefore lowering risk exposure. Agaba and Turyasingura (2022) also support the results as they found that banks who distribute resources to highly liquid assets and keep backup plans are in a better position to preserve profit during times of economic crisis. The results, nevertheless, go against Hunjra et al. (2022), who found that firm-specific hazards can occasionally limit the efficiency of liquidity management in boosting bank performance, so implying that outside market volatility can erode the direct influence of liquidity measures.

The research results showed that at Stanbic Bank, consistent liquidity depends critically on good asset-liability management methods, which also help to guarantee profitability. The results support the research by Kafidipe et al. (2021), who found that strong risk oversight together with well-structured asset-liability policies improve financial stability and reduce liquidity shortages in Nigerian banks. Similarly, Owomugisha (2022) underlined in Uganda that banks matching assets and liabilities while tracking cash flows have lower operating risk and better financial results. Saghir and Ch (2020), in contrast, discovered that in Pakistan especially in cases when banks are subject to regulatory or macroeconomic restrictions simply controlling liquidity risk alone does not always ensure better financial performance; hence, good liquidity risk management needs to be complemented with more general operational and strategic controls. In general, the results show that at Stanbic Bank, Mukono Branch, good financial performance is mostly driven by liquidity risk management by staff training, technology, emergency planning, liquid assets, and asset-liability alignment.

5.2.3 Effect of operational risk management on financial performance of Stanbic Bank

The results of the research showed that good internal controls, regular audits, and following standard operating procedures especially by means of operational risk management policies strongly positively influence Stanbic Bank, Mukono Branch's financial performance. The results confirm the conclusion of Adeniran et al. (2024), who found that in financial institutions strategic risk management systems backed by strong internal controls and legal compliance tools greatly improve financial stability and performance. Likewise, Kafidipe et al. (2021) found that good corporate governance structures and good risk management techniques help deposit money banks in Nigeria's financial performance to improve. Emphasizing that effective drivers of better financial results are organized operational controls and oversight systems, these studies back up the present conclusions.

The findings of the research revealed that the only way of reducing operational errors and losses that increases operational performance and profitability is through training employees and adherence to set operating procedures. The information corroborates the findings of Ihyak et al. (2023), who discovered that in financial institutions where staff competency building and compliance with rules of operation are effective, risk management and institutional performance are enhanced. In the Ugandan context, Ahumuza (2020) demonstrated that banks having enhanced operational systems and compliance cultures were more resilient and had improved overall performance in the financial sector. Nevertheless, the findings are opposite to Hunjra et al. (2022), who stated that firm-specific risks do not always result in an improvement in the financial performance, and thus, the effectiveness of operational risk management might be influenced by more general institutional and economic factors than internal controls.

The results of the research showed that frequent audits and business continuity planning help to strengthen resilience during disturbances and help to raise financial performance. The results are consistent with Syadali et al. (2023) who underlined that in order to reduce operational interruptions and protect financial results in banks, organized risk management techniques including contingency planning are absolutely vital. Similarly, Kiptoo et al. (2021) discovered that thorough risk management systems help financial institutions' financial performance by lowering unanticipated losses. Mwanzia (2021), on the other hand, found that although operational risk management is crucial, its influence on financial performance may be minimal since regulatory restrictions and outside economic conditions limit profitability. This implies that while Mukono Branch, Stanbic Bank, operational risk management greatly improves financial performance, its success could be boosted even more if paired with encouraging outside and legal contexts.

5.3 Conclusion

The study concludes that at Stanbic Bank, Mukono Branch, credit risk management is a key factor influencing financial performance. Good implementation of internal credit policies, proper evaluation of borrowers, continuous monitoring of loan repayment, systematic appraisals, employee training and diversification of a portfolio significantly reduce the probability of default and increase the quality of loans. This close positive correlation reinforces the notion that an improved ability to control credit risk increases the profitability, stability of cash flow and overall financial viability of the bank. Thus, good credit risk management systems are key to good financial performance.

Additionally the paper finds that liquidity risk management is highly significant to the financial performance and operational stability of the bank. Awareness of liquidity procedures by the staff, liquidity monitoring by use of technology, emergency planning, liquidity investments, asset and liability management, and regular cash flow analysis can all assist the bank to meet the short-term commitments better and manage financial strain. The strong positive correlation shows that good management of liquidity risk directly boosts profitability and resilience, so it's a basic part of financial performance.

Finally, the paper concludes that proper management of operational risk can assist immensely the Stanbic Bank, Mukono Branch in achieving better financial performance. Following the accepted procedures, frequent audits, employee education, good policies of operating risks, good internal controls and business continuity planning enhance efficiency, reduce losses, and enhance institutional robustness. The fact that operational risk management systems are strongly and positively correlated with the financial results supports the idea.

5.4 Recommendations

Following the study findings, the following recommendations are deemed to be necessary with regards to the impact of financial risk management on the financial performance of commercial banks in Uganda: a case of Stanbic Bank, Mukono Branch.

The analysis suggests that the Stanbic Bank, Mukono Branch should enhance the credit risk management mechanisms through a continuous enhancement of credit appraisal processes, strict compliance to internal credit policies and improved monitoring of loan repayments. The bank ought to invest in the latest credit assessment technology by training credit officers regularly to ensure that they have an exhaustive evaluation of the borrowers and their portfolios are well diversified. This will aid in profitability, improve loan quality and will also assist in lowering the default rates further.

Another recommendation that the study makes is the necessity to enhance the liquidity risk management systems by applying the latest technology to track and predict liquidity in real time. The management must ensure that there is sufficient cash flow analysis, sufficient money in the bank and clear backup plans whenever there is no sufficient money. Better asset-liability management will assist the bank to sustain a financial level and fulfill short-term obligations.

Additionally, the research suggests that internal controls should be strengthened, internal and external audits should be conducted regularly and strict compliance to standard operating procedures must be ensured to facilitate the operational risk management strategies. To minimize operational losses and increase overall effectiveness, the bank must also maintain its operational risk policies in line with new threats and regulatory standards.

Besides this, it is also suggested in the study that the resources should be used on continuous staff training and capacity building in all aspects of risk management such as credit, liquidity and operational risk. The provision of workers with up-to-date information, technical knowledge, and risk awareness will allow the bank to more effectively put risk management plans into practice and improve overall financial performance.

Lastly, this paper advises that a concerted effort towards credit, liquidity and operational risk management within a single framework is required. By means of this comprehensive approach, the bank will be able to spot interlinked risks, enhance decision-making, boost resilience against financial shocks, and maintain long-term profitability and competitiveness in the Ugandan banking scene.

5.5 Areas for further research

To start with, the impact of financial risk management on financial performance of various commercial banks in Uganda as opposed to one branch should be investigated in future. It would be more effective to compare various banks and regions to achieve greater generalizability and conclude wider conclusions on a sector-wide level.

Secondly, the role of other external factors like macroeconomic conditions, regulation policies, and technological progress on the relationship between financial risk management and financial performance should be considered in further research. This would aid in establishing the moderation or strength of outcomes of risk management by external dynamics.

Lastly, the future research must take into account the application of the longitudinal research design to evaluate the long-term effect of credit, liquidity and operational risk management on financial performance. This would offer more information about trends, sustainability and the effectiveness of financial risk management practice over a period of time.

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APPENDICES

Appendix 1: Questionnaire

For employees in Stanbic Bank, Mukono branch

Introduction and Purpose of Study

Dear Respondent,

I am Kukundakwe Daphine, a student pursuing a Degree of Bachelor of Science in Accounting and Finance at Uganda Christian University. I am working on a study titled ***"the effect of financial risk management on financial performance of commercial banks in Uganda: a case of Stanbic Bank, Mukono Branch."*** Your contribution is essential to the type of data needed for this study, which is why you were chosen to take part. Your submitted information will be kept completely secret and used only for academic purposes. Kindly spare some few minutes to respond to the following questions.

Section A: Background Data

Please TICK the numbers representing the most appropriate responses for you in respect of the following items:

1. Gender

a) Male ☐ b) Female ☐

2. Age

a) 21-30 years ☐ b) 31-40 years ☐

c) 41-50 years ☐ d) Above 50 years ☐

3. Education level

a) Certificate ☐ b) Diploma ☐

c) Degree ☐ d) Masters ☐

e) Others specify:…………………………………

4. Which department do you belong to?

a) Administration ☐ b) Credit ☐

c) Operations ☐ d) Audit ☐

e) I.T ☐

5. How long have you spent working with Stanbic Bank, Mukono branch?

a) Less than 1 year ☐ b) 1-5 years ☐

c) 6-10 years ☐ d) Above 10 years ☐

Guide for Completing the Questionnaire:

Note: In the following sections, rate your degree of agreement on each statement under each objective using a scale of 5(Strongly Agree), 4(Agree), 3(Not sure), 2(Disagree) and 1(Strongly Disagree). Please answer questions by making a tick (√) on your preferred answer of choice.

Section B: Financial Risk Management

	Statements	**Responses**				
s. no	**Credit risk management**	**5**	**4**	**3**	**2**	**1**
1	The bank thoroughly evaluates borrowers' creditworthiness before approving loans.					
2	Regular monitoring of loan repayment schedules is conducted to minimize defaults.					
3	Credit appraisal processes at the bank help in reducing non-performing loans.					
4	The bank maintains a diversified loan portfolio to reduce exposure to high-risk clients.					
5	Internal policies ensure timely follow-up on overdue loans.					
6	Staff are adequately trained on credit risk assessment and management					

	practices.					
s. no	**Liquidity risk management**	**5**	**4**	**3**	**2**	**1**
1	The bank regularly monitors cash flow to ensure it can meet short-term obligations.					
2	Asset-liability management practices help in maintaining adequate liquidity levels.					
3	Contingency plans, such as pre-arranged credit lines, are in place to handle liquidity shortages.					
4	The bank invests in liquid assets to strengthen its financial stability.					
5	Technology and software tools are used to track and manage daily liquidity positions.					
6	Employees are aware of procedures for managing sudden withdrawals or cash shortages.					
s. no	**Operational risk management**	**5**	**4**	**3**	**2**	**1**
1	The bank has effective internal controls to prevent operational errors and fraud.					
2	Regular operational audits are conducted to identify and mitigate risks.					
3	Standard operating procedures are followed consistently to reduce process failures.					
4	Staff receive training on operational risk awareness and management.					
5	Business continuity plans are in place to handle emergencies and unexpected disruptions.					
6	Operational risk management policies improve efficiency and reduce losses in daily operations.					

Section C: Financial performance of Stanbic Bank, Mukono branch

	Statements	**Responses**				
s. no	**Financial performance of Stanbic Bank**	**5**	**4**	**3**	**2**	**1**
1	The bank has experienced growth in profitability over the past three years.					
2	Revenue generation from loans and services has improved due to effective risk management.					
3	The bank maintains adequate liquidity levels to support operational efficiency.					
4	Market share of the bank has improved relative to competitors.					
5	Cost management practices have enhanced the overall financial performance of the bank.					
6	Customer confidence and satisfaction contribute positively to the bank's financial outcomes.					

Thank you very much for your cooperation