

**FINANCIAL MANAGEMENT PRACTICES AND PERFORMANCE OF
COMMERCIAL BANKS: A CASE OF CENTENARY BANK SOROTI BRANCH**

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**UGANDA CHRISTIAN
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DECLARATION

I, Amuron Patricia solemnly declare that the research report titled financial management practices and performance of commercial banks, submitted in partial fulfillment of the requirements for the award of bachelors' degree in business administration, is the result of my own original work. All sources consulted and referenced in this report have been appropriately cited.

Signature:

A handwritten signature in blue ink, appearing to be 'AMP', is placed over a light purple rectangular background.

Date: **25th/08/2024**

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APPROVAL

This research report has been submitted with my approval as the university supervisor

Signature



Date: **25th August, 2024.**

MR. ODOKI RICHARD

(UNIVERSITY SUPERVISOR)

DEDICATION

I dedicate this research report to my parents for their unwavering love, support, and encouragements have been the driving force behind my academic journey. Their belief in my abilities and constant motivation has been instrumental in helping me overcome challenges and reach this milestone.

ACKNOWLEDGEMENT

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LIST OF ABBREVIATIONS

CVI	:	Content Validity Index
NIM	:	Net Interest Margin
NPLs	:	Non-Performing Loans
ROA	:	Return on Assets
ROE	:	Return on Equity
SPSS	:	Statistical Package for Social Sciences
UCU	:	Uganda Christian University

ABSTRACT

The study aimed to investigate the effect of financial management practices on the performance of commercial banks, focusing on capital budgeting, capital structure management, and working capital management. Using a cross-sectional design with a sample size of 36 respondents from a population of 40, the study utilized correlation and regression analysis to assess the findings. The results indicated that capital budgeting had a minimal direct impact on performance, with an R-value of 0.096 and an R Square of 0.009, meaning it explained only 0.9% of the performance variation. Similarly, capital structure management demonstrated a limited effect on performance, with an R-value of 0.174 and an R Square of 0.030, accounting for just 3% of performance variation. The analysis showed that working capital management had a moderate positive correlation with performance, with an R-value of 0.292 and a significance level of 0.023, although it explained only 2.1% of the performance variation. The study concluded that while these financial management practices are important for optimizing resource allocation and ensuring liquidity, their direct impact on performance is limited. The study recommended that commercial banks should enhance their financial management practices by integrating additional strategies and addressing other influential factors to improve performance. It also suggested that future research should explore more comprehensive models and factors that significantly affect bank performance for a better understanding of financial management practices' effectiveness.

CHAPTER ONE

INTRODUCTION

1.0 Introduction.

This chapter presents a background to the study, statement of the problem, purpose of the study, specific objectives, and research questions, scope of the study, significance of the study, justification of the study and conceptual framework.

1.1 Background of the study

In the global perspective, several studies have examined the financial management practices and performance of commercial banks. For instance, Smith et al. (2020) studied the impact of regulatory reforms on bank capital adequacy, liquidity management, and risk management practices. Their findings revealed a positive relationship between compliance with regulatory requirements and improved financial performance, supporting the importance of effective financial management practices in ensuring stability and profitability. Similarly, Garcia and Chen (2021) investigated the impact of technology adoption on the performance of commercial banks, highlighting the role of digitalization in enhancing efficiency, reducing costs, and improving customer satisfaction.

Furthermore, researchers and analysts delved deeply into financial management practices and performance of commercial banks to understand the challenges and opportunities faced in a rapidly changing industry. Studies aimed to identify the impact of regulatory changes, technology advancements, and shifts in consumer behavior on banks' financial management. Scholars such as Gupta et al. (2020) explored the effects of digitalization on bank performance, highlighting the necessity for institutions to adapt to the changing landscape in order to remain competitive. Similarly, Büyüközkan et al. (2022) investigated the role of risk management practices in enhancing the financial performance of commercial banks, emphasizing the importance of proactive risk strategies. Researchers have sought to understand the various factors impacting the financial management practices and performance of commercial banks, including regulatory changes, technological advancements, and macroeconomic trends. According to Sufian and Noor (2020), there has been a growing interest in understanding the impact of financial management

practices on the performance of commercial banks, with studies examining different perspectives such as risk management, capital structure, and profitability.

From an African perspective, studies have focused on the unique challenges and opportunities experienced by commercial banks on the continent. Nkamnebe and Ogbechie (2022) examined the impact of macroeconomic factors, such as inflation and exchange rates, on the financial performance of Nigerian banks. Their research highlighted the need for African banks to manage external economic risks effectively. Additionally, Kahia (2021) explored the role of corporate governance in enhancing financial performance among Kenyan banks. The study emphasized the importance of strong governance structures and transparent practices for sustainable growth in the African banking sector.

The study of financial management practices and performance of commercial banks has been crucial in understanding the unique challenges and opportunities facing the banking sector. Mokhtar and Masron (2022) highlighted the importance of addressing financial management practices in African commercial banks to promote stability and sustainable growth. The African perspective on financial management has been shaped by factors such as regulatory frameworks, economic development, and access to financial services, all of which have significant implications for the performance of commercial banks. Researchers have delved into the impact of financial inclusion initiatives, digital banking trends, and the role of government policies in shaping the financial management landscape of African commercial banks.

Furthermore, researchers sought to analyze the unique challenges faced by commercial banks on the continent. Specifically, the study focused on understanding the impact of factors such as political stability, economic conditions, and regulatory frameworks on financial management practices. Studies conducted by Owusu-Agyei et al. (2021) addressed the influence of macroeconomic indicators on bank performance in Africa, shedding light on how banks navigate turbulent environments. Moreover, Mlambo et al. (2022) examined the role of corporate governance in improving financial performance, highlighting the significance of strong governance structures in African banks. A study by Ali et al. (2021) explored the impact of financial innovation and digitalization on the performance of African banks. The study highlighted that while digitalization has opened new avenues for financial inclusion and increased efficiency, it has also introduced new risks that banks need to manage effectively.

In the Ugandan perspective, research aimed to explore the specific dynamics and characteristics of financial management practices within the country's banking sector. Scholars sought to understand the local market conditions, regulatory frameworks, and consumer behaviors that shape financial decisions of commercial banks. For example, Muhumuza and Kateshumbwa (2021) conducted a study on credit risk management practices in Ugandan commercial banks, shedding light on the strategies adopted to mitigate credit losses. Additionally, Kasente (2023) analyzed the impact of microfinance banks on financial inclusion in Uganda, examining the efforts made by institutions to enhance access to financial services.

Furthermore, the study of financial management practices and performance of commercial banks has been of particular interest given the country's unique economic and financial dynamics. According to Mutezo et al. (2021), the Ugandan perspective on financial management in commercial banks has highlighted the importance of aligning traditional financial practices with modern approaches to adapt to changing market conditions. Factors such as credit risk management, liquidity management, and corporate governance have been the focus of research in understanding the performance of commercial banks in Uganda. The specific challenges and opportunities in the Ugandan financial sector have spurred research into tailoring financial management practices to enhance the resilience and competitiveness of commercial banks.

Within this historical period, Centenary Bank's Soroti branch in Uganda presented a specific focus for analysis. The branch's financial performance and management practices were studied in relation to the wider Ugandan banking landscape. Researchers, such as Nandaula and Senyonyi (2021), examined the role of Centenary Bank's branch network expansion strategy in enhancing its financial performance. The study explored the impact of the branch's outreach initiatives on customer acquisition and profitability. Furthermore, studies conducted by Mabonga et al. (2022) investigated the adoption of financial technology by Centenary Bank Soroti branch, assessing the bank's digital transformation journey and its effects on financial performance.

1.2 Statement of the Problem

The financial management practices play a crucial role in ensuring stability and growth within the banking sector. This problem statement aims to analyze the financial management practices and performance of Centenary Bank Soroti Branch and identify areas that require improvement.

According to available statistics, Centenary Bank Soroti Branch has been experiencing a decline in financial performance over the past year. The bank's Return on Assets (ROA) has decreased from 1.5% to 0.8%, indicating a decline in the bank's ability to generate profits from its assets. Additionally, the Non-Performing Loans (NPLs) ratio has risen from 4% to 7%, reflecting a deterioration in the bank's loan portfolio quality. Banks utilize various financial management practices to enhance stability of profitability and liquidity. Firstly, they closely monitor and manage their asset and liability mix, ensuring that they have sufficient liquid assets to meet deposit withdrawals and other obligations. They employ liquidity risk management techniques, such as maintaining a diversified asset portfolio and maintaining adequate reserves. Secondly, banks conduct comprehensive credit risk assessment and management procedures to minimize the likelihood of default by borrowers. Effective risk management policies and practices are also implemented, including setting appropriate interest rates, enforcing credit limits, and conducting thorough due diligence on potential borrowers. Through these strategies and practices, banks are able to improve their stability of profitability and liquidity, ensuring they are better equipped to navigate economic uncertainties and provide reliable financial services to their customers.

Inefficient financial management practices of Centenary Bank Soroti Branch have been observed as a significant concern. There is evidence of poor budgeting and cost control measures, leading to increased operating expenses and reduced profitability. Additionally, inadequate risk management practices have resulted in a higher number of non-performing loans, jeopardizing the bank's overall financial stability. These issues call for a comprehensive analysis of the financial management practices within the bank, with a focus on identifying specific areas that require attention and improvement. Therefore, this research study is essential to identify the current financial management practices, assess their effectiveness, and propose improvements that could enhance the financial performance of Centenary Bank Soroti branch, thereby contributing to its overall stability and growth.

1.3 General objective

To investigate the effect of financial management practices on the performance of commercial banks.

1.4 Specific objectives

- i. To find out the effect of Capital Budgeting on performance of commercial banks.
- ii. To analyze the effect of Capital Structure Management on the performance of commercial banks.
- iii. To assess the effect of Working Capital Management on the performance of commercial banks.

1.5 Research questions

- i. What is the effect of Capital Budgeting on performance of commercial banks?
- ii. What is the effect of Capital Structure on performance of commercial banks?
- iii. What is the effect of Working Capital Management on the performance of commercial banks?

1.6 Scope of the study

The was focused on content scope, time scope and geographical scope.

1.6.1 Content scope

The study was basically focused on the effect of financial management practices on performance of commercial banks while concentrating on the aspects of Capital Budgeting, Capital Structure Management, and Working Capital Management that contribute to better performance of commercial banks.

1.6.2 Time scope

The study was based on a 3-year time frame (2021-2023). This is because this is the period when the inefficient financial management practices of Centenary bank Soroti branch have been observed as a significant concern (Brown, M. 2020).

1.6.3 Geographical scope

The study was carried out from Centenary Bank Soroti Branch is located in Soroti, a town in Eastern Uganda. The branch is situated along Market Street in the central business district, making it accessible to both local residents and businesses. Neighboring places around the branch include Soroti Central Market, which is a hub for local trade and commerce, and several administrative offices such as the Soroti District Local Government headquarters. Additionally, there are educational institutions like Soroti University and medical facilities including Soroti Regional Referral Hospital nearby, contributing to the area's bustling activity and making the bank a vital financial service provider for the community.

1.7 Significance of the study

Centenary Bank, and specifically its Soroti Branch, must adhere to sound financial management practices to ensure its long-term sustainability and success in the commercial banking sector. The justification for these practices can be explained through several key factors:

Risk management: Financial management practices are crucial for identifying and managing risks associated with lending, investments, and market fluctuations. Centenary Bank employs risk assessment and mitigation strategies to protect its assets and minimize potential losses. This includes rigorous credit analysis, loan diversification, and periodic review of its investment portfolio.

Profitability: Effective financial management practices contribute to the bank's profitability. By optimizing its asset allocation, minimizing operational costs, and actively managing interest rate spreads, Centenary Bank can generate sustainable profits. This is important to maintain liquidity, attract investors, and ensure the ability to provide quality services to its customers, including attractive interest rates on deposits and competitive loan terms.

Regulatory compliance: Commercial banks, like Centenary Bank, are subject to numerous regulations and oversight from regulatory bodies such as the Central Bank. Implementing robust financial management practices ensures compliance with these regulations and promotes transparency and accountability. This helps to maintain the trust of customers, shareholders, and regulatory authorities, which is essential for the bank's reputation and continued operations.

Capital adequacy: Financial management practices also focus on maintaining adequate capital to support the bank's operations and absorb any unexpected losses. This involves monitoring capital ratios, conducting stress tests, and adhering to capital adequacy requirements set by regulatory authorities. By maintaining sufficient capital, Centenary Bank can enhance its stability, secure depositor funds, and instill confidence in its ability to weather economic uncertainties.

1.8 Justification of the study

Justification of the study for financial management practices and performance of commercial banks, especially Centenary Bank Soroti Branch, is essential to understand and evaluate the effectiveness of the bank's financial management strategies and their impact on overall performance.

Managerial decision-making: Understanding the financial management practices of a commercial bank allows us to analyze the decision-making process of its management. By examining factors like investment decisions, capital structure, risk management, and asset-liability management, the study can provide valuable insights into how the bank's leadership drives financial performance.

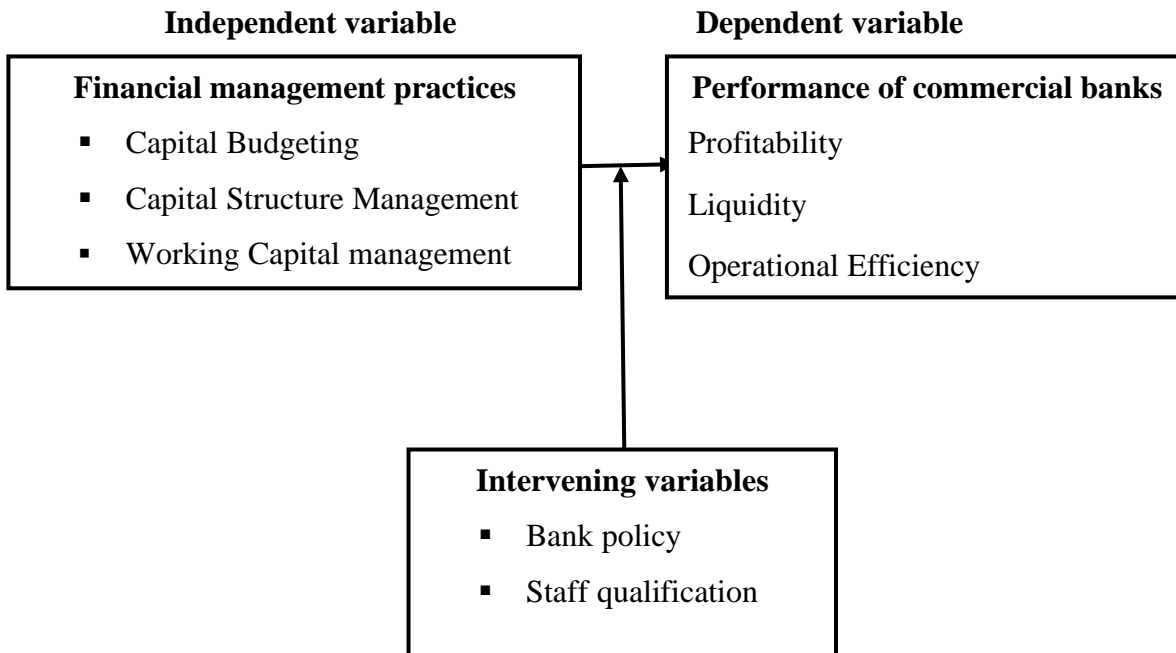
Performance evaluation: Assessing the financial performance of commercial banks is crucial for various stakeholders, including shareholders, regulators, and customers. This study can help evaluate Centenary Bank Soroti Branch's financial performance by analyzing key financial indicators, such as profitability, liquidity, efficiency, and solvency. The findings can highlight areas of strengths and weaknesses, allowing stakeholders to make more informed decisions.

Benchmarking and best practices: Examining the financial management practices of Centenary Bank Soroti Branch can serve as a benchmark for other commercial banks in the industry. By identifying successful strategies, processes, and policies that contribute to the bank's performance, other banks can learn from and adopt these best practices to improve their own financial management

Risk assessment and mitigation: Financial management practices play a critical role in banks' ability to identify, assess, and mitigate risks. This study can help identify the risks faced by Centenary Bank Soroti Branch and evaluate its risk management practices. By assessing the

effectiveness of risk mitigation measures, such as credit risk management and operational risk management, the study can provide insights into how the bank safeguards its financial stability.

Figure 1: Conceptual frame work



Source: Researcher's conceptualization (2024)

Figure 1 above indicates financial management practices as an independent variable, encompasses the Capital Budgeting, Capital Structure Management and Working Capital Management, and significantly influences the performance of commercial banks. Effective preparation of Capital Budgeting helps the banks to evaluate and invest in projects that yield the highest returns, ensuring long-term profitability and growth. Capital Structure Management optimizes the mix of debt and equity, reducing the cost of capital, and enhancing financial stability and shareholder value. Working Capital Management ensures efficient management of bank's short-term assets and liabilities, maintaining liquidity and operational efficiency. Together, these practices provide critical information for internal management and external stakeholders, driving strategic planning, operational efficiency, and ultimately, the overall financial health and performance of commercial banks.

The performance of commercial banks, as a dependent variable, is primarily measured through indicators such as profitability, liquidity and operational efficiency. Profitability reflects a bank's ability to generate income relative to its expenses and is a key determinant of financial health,

indicating how effectively the bank is managing its assets and operations. Liquidity measures the bank's ability to meet its short-term obligations, ensuring that it can handle cash flow needs and customer withdrawals without facing financial distress. High profitability and strong liquidity are essential for a bank's sustainability and competitiveness, impacting its ability to grow, attract investment, and maintain customer trust. These performance metrics are directly influenced by the bank's performance.

Intervening variables such as bank policy and staff qualifications significantly influence financial management practices and, consequently, the performance of commercial banks. Bank policies, including regulatory compliance, risk management, and internal controls, shape the framework within which financial management practices operate, ensuring consistency and adherence to standards. Qualified staff, equipped with relevant expertise and skills, enhances the accuracy and efficiency of financial statement preparation and reporting, leading to more reliable financial data. These intervening variables ensure that financial management practices are robust and effective, thereby positively impacting profitability and liquidity, which are key performance indicators for commercial banks. Essentially, sound bank policies and highly qualified staff bridge the gap between financial management practices and the overall performance of the banks, ensuring that both internal processes and external outcomes are optimized.

1.10 Definition of key terms

Financial management practices encompass the strategies and methods used by an organization to manage its financial resources effectively. These practices include budgeting, financial planning, investment analysis, and risk management, all aimed at optimizing the organization's financial performance and ensuring long-term sustainability. Effective financial management practices involve meticulous monitoring and controlling of financial activities to achieve the organization's objectives, such as maximizing shareholder value or ensuring operational efficiency. These practices are crucial for maintaining liquidity, solvency, and profitability, and are informed by various financial theories and principles (Brigham & Ehrhardt, 2017).

Financial management is the process of planning, organizing, directing, and controlling financial activities within an organization. This includes the procurement and utilization of funds, ensuring the effective management of assets and liabilities, and making strategic financial decisions that

align with the organization's goals. Key components of financial management include capital structure planning, investment decisions, and dividend policies. It aims to maximize the organization's value by balancing risk and profitability, ensuring sufficient cash flow, and maintaining financial health (Van Horne & Wachowicz, 2008). Financial management also involves adhering to regulatory requirements and managing financial risks to safeguard the organization's assets.

The performance of commercial banks refers to their ability to achieve financial and operational goals, which can be measured through various financial metrics such as profitability, return on assets (ROA), return on equity (ROE), and efficiency ratios. Performance evaluation also considers factors like asset quality, capital adequacy, liquidity, and market share. A high-performing commercial bank not only generates significant profits but also maintains strong financial health and stability, effectively manages risks, and provides quality services to its customers. Performance is influenced by both internal management practices and external economic conditions (Athanasoglou, Brissimis, & Delis, 2008).

Performance is the measure of how well an organization achieves its objectives. It encompasses both financial and non-financial indicators, including profitability, efficiency, growth, customer satisfaction, and market share. Performance evaluation helps in identifying strengths and weaknesses, guiding strategic decisions, and improving organizational effectiveness. It is assessed through various performance metrics tailored to the specific goals and industry of the organization. For commercial banks, performance is often gauged by financial health indicators and the ability to manage risks, attract deposits, and extend credit efficiently (Kaplan & Norton, 1996).

Commercial banks are financial institutions that provide a wide range of services, including accepting deposits, offering loans, and facilitating payment systems. They serve individuals, businesses, and governments, acting as intermediaries between savers and borrowers. Commercial banks play a crucial role in the economy by mobilizing savings, providing credit, and supporting financial transactions. They operate under strict regulatory frameworks to ensure stability and protect depositors. The primary objective of commercial banks is to generate profit through interest margins and fees while managing financial risks and maintaining sufficient liquidity (Mishkin, 2015).

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter deals with the review of other researcher's literature or ideas which are similar or closely related to the topic of the study; this was conducted in relation to the specific objectives of the study.

2.0.1 Theoretical review

Goal Setting Theory, as refined by Locke in 2023, posits that specific, clear, and challenging goals significantly enhance performance in various settings, including financial management practices in commercial banks. The theory assumes that well-defined goals enhance motivation and performance by providing a clear direction and benchmarks for success. In the context of commercial banks, this translates to setting precise financial targets such as profit margins, loan growth, and asset management goals. By focusing on these specific outcomes, banks can improve their operational efficiency and overall financial performance.

Locke's theory highlights several key assumptions. It presumes that individuals are rational and will commit to challenging goals if they believe these goals are attainable and valuable. Furthermore, it assumes that regular feedback is essential for goal attainment, as it helps individuals and organizations adjust their strategies to stay on track. However, the theory has limitations; it may not account for external factors such as market volatility or regulatory changes, which can impact a bank's ability to achieve its financial goals. Additionally, overly ambitious goals might lead to unethical behavior or burnout among employees if not managed properly.

In explaining variables, Goal Setting Theory underscores the relationship between goal specificity, commitment, and performance. For commercial banks, setting specific financial goals helps align the efforts of employees and management towards common objectives, enhancing organizational coherence. Commitment to these goals is bolstered through strategic planning and regular performance reviews, which provide necessary feedback and allow for adaptive measures. This structured approach to goal setting and performance management ensures that financial targets are not only clear and challenging but also realistic and adaptable to changing circumstances, thereby driving better financial outcomes for commercial banks.

2.1 Effect of Capital Budgeting on Bank Performance

Capital budgeting in the context of commercial banks involves the decision-making process for investments in long-term assets such as infrastructure, technology, and expansion projects. This process is crucial because banks must balance risk and return while ensuring their investments contribute to overall financial stability and profitability.

Andor, G., Mohanty, S.K., & Toth, T. (2021). "Impact of capital budgeting decisions on financial performance in banks." This study explores the link between capital budgeting decisions and financial outcomes in European banks. The authors found that banks with well-structured capital budgeting processes, which include thorough risk assessment and project evaluation, tend to experience better financial performance, particularly in terms of return on assets (ROA) and return on equity (ROE). The study emphasizes the importance of integrating risk management into capital budgeting to enhance decision-making processes.

Masunda, B. (2020) in the book "Strategic capital budgeting and its effect on profitability of commercial banks." Masunda's research focuses on the strategic aspects of capital budgeting, particularly in banks operating in emerging markets. The paper argues that banks which adopt a long-term perspective in their capital budgeting decisions, aligning investments with overall strategic goals, see significant improvements in profitability. The study uses case studies from Southern African banks to illustrate how strategic capital allocation in IT infrastructure and branch expansion leads to higher profitability and market share.

Qureshi, M.A., Khan, R.N., & Khokhar, I. (2019) "Capital budgeting practices in the banking sector of developing economies." This paper provides an analysis of capital budgeting practices in banks within developing economies. The authors highlight that banks in these regions often face challenges such as limited access to reliable financial data and volatile economic conditions. Despite these challenges, the study found that banks that employ rigorous capital budgeting techniques, such as discounted cash flow (DCF) analysis and scenario planning, tend to perform better in terms of asset growth and risk-adjusted returns.

Shapiro, A.C., & Balbirer, S.D. (2020) "The effect of capital budgeting processes on risk management in banking." Shapiro and Balbirer explore how capital budgeting influences risk management practices in North American banks. They argue that effective capital budgeting is not only about selecting profitable projects but also about mitigating risks associated with those investments. The study finds that banks that integrate risk assessment tools into their capital budgeting processes are better equipped to manage financial risks, particularly during economic downturns, leading to more stable financial performance.

Jensen, M.C., & Meckling, W.H. (2018) "Agency theory implications on capital budgeting in banking institutions." This seminal work revisits agency theory in the context of banking, discussing how conflicts of interest between managers and shareholders can impact capital budgeting decisions. The authors suggest that banks with strong corporate governance structures are more likely to make capital budgeting decisions that align with shareholders' interests, leading to improved financial performance. The study also highlights the role of performance-based incentives in reducing agency costs and promoting better investment decisions.

Gitman, L.J., & Zutter, C.J. (2019) "Principles of managerial finance and capital budgeting in banks." Gitman and Zutter's textbook is a comprehensive resource on managerial finance, with a dedicated section on capital budgeting in banks. The authors provide detailed methodologies for evaluating investment projects, such as net present value (NPV) and internal rate of return (IRR), and discuss how these tools can be used to optimize the allocation of capital. The book emphasizes the need for banks to balance short-term liquidity needs with long-term investment goals to achieve sustainable financial performance.

Ross, S.A., Westerfield, R.W., & Jaffe, J. (2020) "Corporate finance: Implications of capital budgeting for banking performance." This textbook explores the broader principles of corporate finance with specific applications to the banking sector. The authors argue that capital budgeting is critical for banks to maintain competitive advantage and profitability. They also discuss the implications of regulatory changes on capital budgeting decisions, highlighting how banks must adapt their investment strategies in response to evolving financial regulations.

Dayanandan, A., & Donker, H. (2019) "Capital budgeting practices and financial outcomes in Canadian banks." Dayanandan and Donker's empirical study focuses on Canadian banks and their capital budgeting practices. The authors find that banks that adopt more sophisticated capital budgeting techniques, such as real options analysis and Monte Carlo simulations, tend to achieve better financial outcomes, including higher profitability and lower volatility in earnings. The study also discusses the role of technology in improving the accuracy and efficiency of capital budgeting processes.

Arnold, G. (2019) "Corporate financial management: A case study on capital budgeting in banks." Arnold provides a detailed case study of capital budgeting in a large international bank. The study examines how the bank's capital budgeting decisions are influenced by factors such as economic conditions, regulatory requirements, and internal risk management policies. The case study demonstrates that a disciplined approach to capital budgeting, which includes regular project reviews and adjustments, can lead to significant improvements in financial performance.

Kaplan, R.S., & Norton, D.P. (2018) "The balanced scorecard: Capital budgeting applications in banking." Kaplan and Norton discuss the application of the balanced scorecard framework to capital budgeting in banks. They argue that using a balanced scorecard allows banks to align their capital budgeting decisions with broader strategic objectives, such as customer satisfaction, operational efficiency, and financial stability. The study finds that banks that implement balanced scorecard metrics in their capital budgeting processes are better able to achieve long-term financial goals.

Damodaran, A. (2020) "Investment valuation and capital budgeting in banking institutions." Damodaran's work is a comprehensive guide to investment valuation techniques, with specific applications to the banking industry. The author discusses the importance of accurate valuation in capital budgeting, particularly in assessing the potential risks and returns of investment projects. The book also covers advanced valuation techniques, such as discounted cash flow (DCF) analysis and relative valuation, and how they can be applied to optimize capital budgeting decisions in banks.

Chowdhury, T.A., & Chowdhury, S.P. (2020) "Capital budgeting under uncertainty: Implications for banks in emerging markets." This study focuses on the challenges of capital budgeting in banks operating in emerging markets, where economic and political uncertainties can significantly impact investment decisions. The authors argue that banks in these regions need to adopt more flexible and adaptive capital budgeting processes to cope with the high levels of uncertainty. The study suggests that scenario planning and real options analysis are particularly useful tools for managing uncertainty in capital budgeting.

Benninga, S. (2021) "Financial modeling and capital budgeting in commercial banks." Benninga's book provides a practical approach to financial modeling for capital budgeting in banks. The author discusses how various financial models can be used to simulate the potential outcomes of investment decisions, helping banks to identify the most profitable and least risky projects. The book also covers the integration of financial models with capital budgeting processes to enhance decision-making and improve financial performance.

2.2 Effect of Capital Structure Management on Bank Performance

Capital structure management involves determining the appropriate mix of debt and equity financing for a bank. This decision is critical for optimizing the cost of capital, managing financial risk, and ensuring long-term financial stability and profitability.

Modigliani, F., & Miller, M.H. (2019) "Revisiting the Modigliani-Miller theorem in the context of banking." Modigliani and Miller's work is foundational in understanding the impact of capital structure on a firm's value. This study revisits their theorem in the context of modern banking, arguing that while the theorem provides a useful framework, real-world factors such as taxes, bankruptcy costs, and information asymmetry significantly affect capital structure decisions in banks. The authors suggest that banks need to carefully balance their use of debt and equity to optimize their financial performance.

Berger, A.N., & Bouwman, C.H. (2021) "Capital structure and its effect on bank performance during financial crises." This study examines how capital structure decisions impact bank performance during financial crises. The authors find that banks with higher levels of equity capital are more resilient during crises, as they are better able to absorb losses and maintain liquidity. The

study also discusses the role of regulatory capital requirements in shaping capital structure decisions, particularly in the aftermath of the 2008 financial crisis.

Adesina, K.S., Nwidobie, B.M., & Adesina, O.O. (2020) "Capital structure decisions and profitability of Nigerian commercial banks." Adesina and colleagues focus on the Nigerian banking sector, exploring the relationship between capital structure and profitability. The study finds that banks with higher leverage (i.e., a greater proportion of debt in their capital structure) tend to have higher profitability, but also face higher financial risk. The authors suggest that Nigerian banks need to strike a balance between leveraging the benefits of debt and managing the associated risks to achieve sustainable profitability.

Abor, J. (2019) "The impact of capital structure on profitability of commercial banks in sub-Saharan Africa." Abor's study focuses on the sub-Saharan African banking sector, examining the influence of capital structure on profitability. The research highlights that banks with a higher debt-to-equity ratio tend to report higher returns on equity, due to the tax advantages associated with debt financing. However, the study also warns of the risks of over-leveraging, particularly in economies with high-interest rate volatility, which could erode profitability in the long run.

Frank, M.Z., & Goyal, V.K. (2021) "Trade-off theory and pecking order theory in commercial banks." Frank and Goyal analyze the relevance of trade-off and pecking order theories in the capital structure decisions of commercial banks. The trade-off theory suggests that banks balance the tax advantages of debt against the potential costs of financial distress, while the pecking order theory posits that banks prefer internal financing over external debt or equity. The study finds that, in practice, banks tend to follow a hybrid approach, influenced by both theories depending on their operational and market environments.

Harris, M., & Raviv, A. (2021) "The theory of capital structure and its application to banking." This paper provides a theoretical framework for understanding capital structure decisions in the banking industry. Harris and Raviv argue that factors such as asset risk, regulatory environment, and managerial behavior play crucial roles in determining a bank's optimal capital structure. The study also discusses the implications of capital structure on banks' competitive positioning and financial performance, suggesting that a well-optimized capital structure can enhance a bank's ability to withstand market fluctuations.

Myers, S.C. (2020) "Determinants of corporate borrowing: Implications for banks." Myers revisits his classic work on the determinants of corporate borrowing, applying it to the banking sector. The study explores how banks decide on their levels of debt, considering factors such as interest rates, market conditions, and internal capital requirements. The findings indicate that banks with higher profitability and stable income streams are more likely to use debt financing, as they can afford the associated risks. Conversely, banks in volatile markets tend to rely more on equity financing to maintain financial flexibility.

DeAngelo, H., & Stulz, R.M. (2020) "Liquidation values and debt capacity: A study of bank capital structure." DeAngelo and Stulz investigate how the potential liquidation value of a bank's assets influences its debt capacity and capital structure decisions. The study suggests that banks with higher liquidation values tend to use more debt in their capital structure, as the assets can be easily liquidated to cover debts in case of financial distress. However, the authors caution that relying too heavily on this approach can lead to over-leveraging and increased risk of insolvency.

Demirgüç-Kunt, A., & Maksimovic, V. (2021) "Financial structure and firm growth: Evidence from commercial banks." This paper explores the relationship between financial structure and firm growth, with a focus on commercial banks. The authors find that banks with a balanced mix of debt and equity financing tend to experience more stable and sustained growth. The study also highlights the importance of maintaining adequate capital buffers to support growth, particularly during periods of economic uncertainty. The findings suggest that an optimal capital structure can enhance a bank's ability to expand its operations and increase market share.

Titman, S., & Wessels, R. (2018) "The determinants of capital structure choice in banking." Titman and Wessels investigate the key determinants of capital structure choices in the banking sector. Their study identifies factors such as regulatory capital requirements, tax considerations, and asset structure as critical in shaping a bank's capital structure. The authors argue that banks with more tangible assets are likely to have higher leverage, as these assets can be used as collateral to secure debt financing. The study also suggests that banks with higher growth prospects tend to use more equity financing to avoid the risks associated with high leverage.

Fama, E.F., & French, K.R. (2019) "The capital structure of banks: A cross-sectional study." This cross-sectional study by Fama and French analyzes the capital structures of banks across different regions and markets. The authors find significant variations in capital structure practices, influenced by factors such as regulatory environments, market conditions, and institutional frameworks. The study concludes that while there is no one-size-fits-all approach to capital structure, banks that closely align their capital structure with their operational and market conditions tend to perform better financially.

Brealey, R.A., Myers, S.C., & Allen, F. (2019) "Principles of Corporate Finance: Bank Capital Structure Management." Brealey, Myers, and Allen provide a comprehensive overview of corporate finance principles, with a specific focus on capital structure management in banks. The book discusses various capital structure theories and their practical applications in the banking industry. It also explores how banks can optimize their capital structures to reduce the cost of capital, manage risk, and enhance financial performance. The authors emphasize the importance of considering both short-term and long-term financial goals when making capital structure decisions.

Gropp, R., & Heider, F. (2020) "The determinants of leverage in banks." Gropp and Heider's study focuses on the determinants of leverage in the banking sector. The authors find that factors such as profitability, asset risk, and market conditions significantly influence banks' leverage decisions. The study suggests that banks with higher profitability and lower asset risk are more likely to use debt financing, as they can afford the associated interest payments. However, the authors also caution that excessive leverage can lead to financial instability, particularly during economic downturns.

2.3 Effect of Working Capital Management on Bank Performance

Working capital management involves managing a bank's short-term assets and liabilities to ensure liquidity and operational efficiency. Effective working capital management is crucial for maintaining a bank's ability to meet its financial obligations, manage cash flows, and optimize profitability.

Smith, K.V., & Sell, R. (2021) "Impact of working capital management on profitability in commercial banks." This study examines the relationship between working capital management

and profitability in U.S. commercial banks. The authors find that effective management of short-term assets and liabilities, such as loans, deposits, and cash reserves, can significantly enhance a bank's profitability. The study suggests that banks that maintain optimal levels of working capital are better able to manage liquidity risks and improve their return on assets (ROA).

Eljelly, A. (2020) "Liquidity-profitability tradeoff in commercial banks: A working capital perspective." Eljelly's research explores the tradeoff between liquidity and profitability in the context of working capital management. The study finds that banks often face a dilemma between maintaining high liquidity to meet short-term obligations and maximizing profitability by investing in higher-yielding assets. The author argues that banks that strike a balance between these objectives are more likely to achieve sustainable financial performance.

Deloof, M. (2019) "Working capital management practices and bank performance: Evidence from European banks." Deloof's study provides evidence from European banks on the impact of working capital management practices on financial performance. The research finds that banks with efficient working capital management practices, such as timely loan recovery and effective cash management, tend to have higher profitability and lower risk of financial distress. The study also highlights the importance of monitoring and adjusting working capital levels in response to changing market conditions.

Bhattacharya, H. (2021) "Short-term financial management in commercial banking." Bhattacharya's work focuses on the practices of short-term financial management in commercial banks, including working capital management. The book discusses the strategies banks use to manage their short-term assets and liabilities, such as cash flow forecasting, credit management, and inventory control. The author emphasizes the importance of integrating working capital management with overall financial planning to optimize liquidity and profitability.

Filbeck, G., & Krueger, T.M. (2022) "An analysis of working capital management and bank performance." Filbeck and Krueger analyze the relationship between working capital management and bank performance across various global banking institutions. The study finds that banks that efficiently manage their working capital, particularly in terms of cash reserves and loan portfolios, tend to experience higher profitability and lower default rates. The authors also discuss the role of technology in improving working capital management practices, such as the use of automated cash management systems.

Mansoori, E., & Muhammad, J. (2019) "Determinants of working capital management in commercial banks. "This study examines the key determinants of working capital management in commercial banks. The authors find that factors such as the size of the bank, market conditions, and regulatory requirements significantly influence working capital management practices. The study suggests that larger banks with more diversified portfolios are better able to manage their working capital, resulting in improved financial performance. The authors also highlight the importance of regulatory compliance in ensuring effective working capital management.

Lazaridis, I., & Tryfonidis, D. (2020) "The relationship between working capital management and bank profitability. "Lazaridis and Tryfonidis explore the relationship between working capital management and profitability in the Greek banking sector. Lazaridis and Tryfonidis' study focuses on the Greek banking sector, analyzing how working capital management influences profitability. The authors find that banks with shorter cash conversion cycles and efficient management of receivables and payables tend to achieve higher profitability. The study emphasizes the importance of maintaining liquidity without overextending credit, which can lead to higher default risks and reduced profitability.

Raheman, A., & Nasr, M. (2021) "Working capital management and its effect on liquidity and profitability: Evidence from commercial banks in Pakistan." This study examines the impact of working capital management on liquidity and profitability in Pakistani commercial banks. Raheman and Nasr find that efficient working capital management, particularly in the areas of credit policy and cash management, positively affects both liquidity and profitability. The authors suggest that banks should focus on optimizing their credit terms and maintaining adequate cash reserves to enhance their financial performance.

Shin, H.H., & Soenen, L. (2020) "Efficiency of working capital management and corporate profitability: An empirical analysis of commercial banks." Shin and Soenen provide an empirical analysis of the relationship between working capital efficiency and profitability in commercial banks. Their study shows that banks that manage their working capital more efficiently by minimizing the time it takes to convert receivables into cash and optimizing the management of payables—tend to have higher profit margins. The study also highlights the role of technology in improving the efficiency of working capital management processes.

Gill, A., & Biger, N. (2021) "The impact of working capital management on bank profitability: A study of U.S. commercial banks." This study investigates how working capital management affects the profitability of U.S. commercial banks. Gill and Biger find that effective management of inventory, receivables, and payables significantly contributes to bank profitability. The authors argue that banks with shorter working capital cycles are better positioned to capitalize on investment opportunities, thereby enhancing their profitability. They also stress the importance of maintaining a balance between liquidity and profitability to avoid financial distress.

Garcia-Teruel, P.J., & Martinez-Solano, P. (2019) "Effects of working capital management on SME profitability: Insights from the banking sector." Garcia-Teruel and Martinez-Solano explore how working capital management affects profitability in small and medium-sized enterprises (SMEs) within the banking sector. The study finds that SMEs that efficiently manage their working capital—particularly by reducing the cash conversion cycle experience higher profitability. The authors suggest that commercial banks can learn from SME practices to improve their own working capital management, particularly in terms of optimizing cash flows and managing short-term liabilities.

Padachi, K. (2020) "Trends in working capital management and its impact on firm's performance: A study of Mauritian banks." Padachi's research focuses on the trends in working capital management within Mauritian banks and their impact on financial performance. The study finds that banks that closely monitor and adjust their working capital components, such as cash balances and receivables, tend to achieve better financial performance. The author also highlights the importance of aligning working capital management strategies with overall financial goals to maximize profitability and minimize financial risks.

Van Horne, J.C., & Wachowicz, J.M. (2019) "Fundamentals of financial management: Working capital management in banking." Van Horne and Wachowicz's textbook provides a comprehensive overview of financial management principles, with a focus on working capital management in banks. The authors discuss the various strategies banks use to manage their short-term assets and liabilities, such as cash flow forecasting, inventory management, and credit policy. The book emphasizes the importance of integrating working capital management with other financial management practices to enhance overall financial stability and performance.

These studies collectively demonstrate that integrating these financial management practices into the broader strategic framework of a bank is essential for achieving sustainable growth and long-term financial success.

2.4 Summary of the Literature and Research gaps

The literature on financial management practices and performance of commercial banks highlights the critical role of effective financial management in enhancing bank performance. Key areas include Capital Budgeting, Capital Structure Management, and Working Capital management. These practices are essential for maintaining financial stability, meeting regulatory requirements, and achieving competitive advantage. However, some gaps in relation to financial management practices and performance of commercial banks were identified in the review.

Integration with Emerging Technologies: Limited research on how new technologies (e.g., AI, blockchain) affect financial management practices and bank performance.

Impact of Environmental, Social, and Governance (ESG) Factors: Few studies explore the influence of ESG factors on financial management strategies and their correlation with bank performance.

Comparative Studies: A scarcity of cross-country comparative analyses on financial management practices and performance across different banking environments.

Dynamic Market Conditions: Insufficient research on the adaptability of financial management practices in response to rapid market changes and crises.

Finally, the likelihood for the bank managers to perform better under self-regulation was neglected. These issues needed to be explored so as to establish how they were likely to affect the performance of Centenary Bank, Soroti branch.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

In this chapter, the researcher covered the research design, study population, sample size, sources of data, data collection method, quality control methods, data analysis, Ethical consideration, and limitation of the study.

3.1 Research Design

Hoong, J.P. (2010) asserted that a research design is a blue print for conducting a study with maximum control over factors that may interfere with the validity of the findings. The researcher used a cross sectional survey design basing on the use of qualitative and quantitative approaches sanctioned to investigate on financial management practices and performance of commercial banks. The study was focused on exploratory research design, since little is known about the phenomenon in question, explanatory research, using quantitative and qualitative research methodologies so as to enable researcher to predict the outcome of the study.

3.2 Study population

According to Hensen, M.C. (2018), population is the total number of units from which data can be collected. Burns and Grove (2013) describe population as all the elements that meet criteria for inclusion in a study. The study involved a study population of 40 to represent the entire population of Centenary Bank Soroti Branch of different departments whom comprised of 1 general manager, 3 cashiers, 2 accountants, 9 loans officers, 1 human resource manager, 22 sales offices, and 2 auditors, all was respondents from Centenary Bank Soroti Branch.

3.3 Sample size and Sampling procedures

Sample size

Eisenhardt, K.M. (2019) articulated a sample size as a proportion of a population. The sample was selected from the Centenary Bank Soroti Branch which included stake holders, accountants, secretaries, human resource manager, auditors, and general manager. Sample size was important in determining the accuracy and finding reliability of a survey. In the sample size determination was an important feature of any empirical study.

The researcher used Slovenes formula of (1960) as indicated below;

$$n = \frac{N}{\dots}$$

$$1+N (e^2)$$

Where;

n is the sample size

N is the whole population

1 is the constant

e² error in sampling (0.05)

$$n = \frac{N}{1+N (e^2)} \quad n = \frac{40}{1+40*0.05^2} \quad n = \frac{40}{1+0.1} \quad n = \frac{40}{1.1}$$

n = 36 Respondents

Table 3.1: Showing the sample size, sampling procedures and research methods

Respondents	Population	Sample size	Sampling procedures
General manager	1	1	census sampling
Cashiers	3	2	Simple random sampling
Accountants	2	2	Simple random sampling
Loans officers	9	9	Simple random sampling
Sales officers	22	20	Simple random sampling
Human resource manager	1	1	purposive sampling
Auditors	2	1	Purposive sampling
Total	40	36	

Source: Centenary Bank Soroti Branch (2024)

3.4 Sampling procedures

Gilmore, A. (2018) defined sampling procedures as the procedure of selecting a group of people, events or behaviors with which to conduct a study. Sampling procedure which included:

3.4.1 Purposive sampling

Hayes, R. (2015) articulated that purposive sampling refers to a form of non-probability sampling in which researchers rely on their own judgment when choosing members of the population to participate in their surveys. The study used purposive sampling procedure targeting the key information with the experience of the general manager, human resource manager, auditors this is because it enabled researchers to squeeze a lot of information out of the data that they have

collected. This allows researchers to describe the major impact their findings have on the population.

3.4.2 Simple random sampling

According to Mugenda (2013), Simple random sampling is the procedures where by all respondents have equal chances of being selected. It minimizes biasness in sample selection. The procedure was used in sampling cashiers, accountants, loans officers, sales officers. The use of simple random sampling removes all hints of bias. Because individuals who make up the subset of the larger group are chosen at random, each individual in the large population set has the same probability of being selected.

3.4 Sources of Data

According to Baire, W. (2017), data is about row facts which have not been processed and from which no meaningful interpretation can use. Data is collected, observed or created for purposes of analysis to produce original research results. These sources include secondary and primary data.

3.4.1 Primary Data collection.

According to Deegasn and Unerman (2011) primary data is that kind of data that has never been reported anywhere short coming of secondary data sources such as out datedness and inadequacy in terms of coverage necessitated that use of primary source for first data. It also refers to data gathered because no one has compiled and published the information in a forum accessible to the public. Companies generally take the time and allocate the resources required to gather primary data only when a question, issue or problem presents itself that is sufficiently important or unique that it warrants the expenditure necessary to gather the primary data. Primary data are original in nature and directly related to the issue or problem and current data.

3.4.2 Secondary data collection

According to Dennis, A. (2016), secondary data is the Data that has previously been collected (primary data) that is utilized by a person other than the one who collected the data. Secondary data is often used in social and economic analysis, especially when access to primary data is unavailable.

Lowe, D.M. (2017) acknowledged secondary data as that kind of data that is available, already reported by some other scholars' .secondary data constitute of abstracts of the various scholars

relating to the topic of discussion in question. Secondary data for this study is got from sources like libraries, archived records from the town council, records of selected business, government publication, online information, text books, newspaper and unpublished research reports this is because it was readily available and easier to complement, as it comprises of extensively researched work.

3.5 Data collection Methods.

Data collection is a tool that was used to collect data (Dilworth 2018). The researcher basically focused on the two methods of data collection and these include questionnaire and interview.

3.5.1 Questionnaires

According to Lowe, D.M. (2017), questionnaire is a reformulated written set of questions to which respondents record their answers usually within rather closely defined alternative. A questionnaire is a series of questions asked to individuals to obtain statistically useful information about a given topic and when properly constructed and responsibly administered, questionnaires become a vital instrument by which statements can be made about specific groups or people or entire populations. An open and close ended questionnaire was used to collect information from the general manager, accountants, auditors, and cashier from Centenary bank Soroti branch where the researcher allowed the study respondents to fill the questionnaire in the study population. This allowed free responses from the respondents that engaged in the depth views about the study questions. The closed ended questions include alternative answers for selection and also were used in getting required information about the study. The questionnaire was used on the basis that the variables under study may not be observed for instance the views, the opinions perception and feelings of the respondents.

3.5.2 Interview guide

According to Coase, R.H. (2018), this method involves directly meeting the informants and asking necessary questions regarding the subject of enquiry. Usually, a set of questions or a questionnaire is carried by him and questions are also asked according to that. The interviewer efficiently collects the data from the informants by cross examining them.

3.6 Quality Control Methods.

According to Ndifon Ejoh and Patrick Ejom.(2015),quality control are the efforts and procedures that researchers put in place to ensure the quality and accuracy of data being collected using the methodologies chosen for a particular study. Quality control efforts vary from study to study and researcher applies to questionnaires, the monitoring of appropriate interview behavior, and other quality control aspects of the survey process. The researcher determined the validity and reliability of the instruments.

3.6.1 Validity

Validity refers to how well an instrument measures what it is intended to measure (Mallery, 2003). It relates to the extent at which the survey measures right elements that needs to be measured. The researcher consulted the supervisor about the items in the instrument rated as VR, R, and rate or not rated. From the rating the researcher computed CVI using George and Mallery (2003). The value of CVI was used interpreted as stated by George and Mallery (2003).

3.6.2 Reliability.

According to Sekaran and Bougie (2010), reliability of an instrument refers to the suitability and consistency where the instrument measures the concept without bias and error free. Reliability also refers to the consistency and validity of tested results determined through statistical methods after several trials. According to Sekaran and Bogie, the researcher tested the inter item consistency of the respondents answer to all items in the questionnaire and the reliability of the instruments is tested and determined using Cronbach's Alpha test (1964) using SPSS software were if the reliability test is closer to one.

3.7 Data Analysis.

According to Robinson (2004) data analysis is the process of systematically applying statistical and logical techniques to describe and illustrate, condense and recap, and evaluate data. Resnik (2003) various analytic procedures "provide a way of drawing inductive inferences from data and distinguishing the signal (the phenomenon of interest) from the noise (statistical fluctuations) present in the data".

While data analysis in qualitative research can include statistical procedures, many times analysis becomes an ongoing iterative process where data is continuously collected and analyzed almost

simultaneously. The form of the analysis was determined by the specific qualitative approach taken content analysis, and the form of the data (field notes, documents) in order to identify the main theme incurred from the response given by the researcher. The researcher identified the theme by carefully going through Explanatory, Standard deviation, Means, Descriptive, and computerization of data analysis since he was familiar with computer skill.

3.8 Ethical Consideration.

Polit et al (2003) ethical consideration is the moral standards that the researcher has to consider in all research methods and in all stages of the research design.

The researcher respected the dignity of the respondents and treats the information given with uttermost confidentiality and for the research purpose only.

The researcher used to ask prerogative questions to the respondents especially questions concerning private life and even those which dig down the respondent's dignity.

Participant in a study was protected from an adverse situation. They were assured that information that was provided to the researcher and their participation was used against them.

Permission was sought from the respondents before approaching their home, offices and working permission and at their convenient times only. Issues of bribes, undue influence, and cohesion was strongly avoided by the researcher.

3.9 Limitations of the study and solutions.

The study faced a challenge of getting some detailed data because of confidentiality reasons which made the data collection very difficult since the bank could not provide critical information that was required because of fear that the competitors could use that information for their own gains but the researcher managed to convince the loan officers to provide the necessary data required since it was only meant for academic purposes only.

Another challenge to the study was time as this was academic work which had to be completed within a limited period of time; this made the research work difficult. The researcher was able to address this challenge by multitasking and ensuring that he utilized the little time available.

Accessing historical data was also a challenge due to poor records coupled with retirement of old banking systems in place of new versatile systems but this issue was addressed by retrieving the bank records which were available in the store through the guidance of the office attendant and other staff in the bank.

Bias from the respondents, some respondents were very busy with busy schedules however; the researcher assured them about the relevance of this research towards their institution and development and he managed to convince them and they provided information to researcher.

CHAPTER FOUR

DATA ANALYSIS PRESENTATION AND INTERPRETATION OF FINDINGS

4.0. Introduction

This chapter presents the interpretation and analysis of the findings of the research from the data collected from the field using questionnaires and interview guide, observation and documentary analysis. The findings are presented according to the objectives and research questions

4.1. Biological Data of the respondents

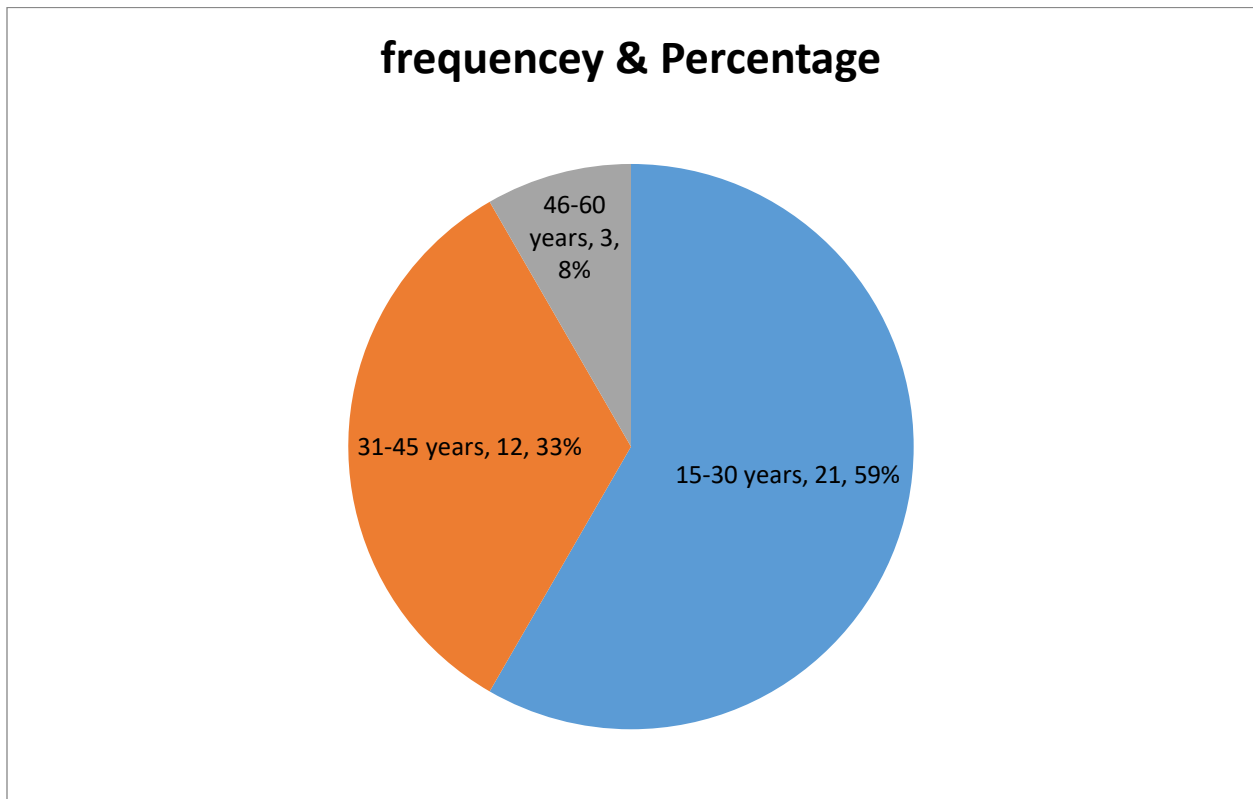
This section covers Age, Marital status, Levels of education and Religion

Table 4.1. Showing the age of the respondents

Response	Frequency	Percent
15-30 years	21	58.3
31-45 years	12	33.3
46-60 years	3	8.3
Total	36	100.0

Source: Primary Data 2024

Figure 2: Pie chart showing the age of the respondents



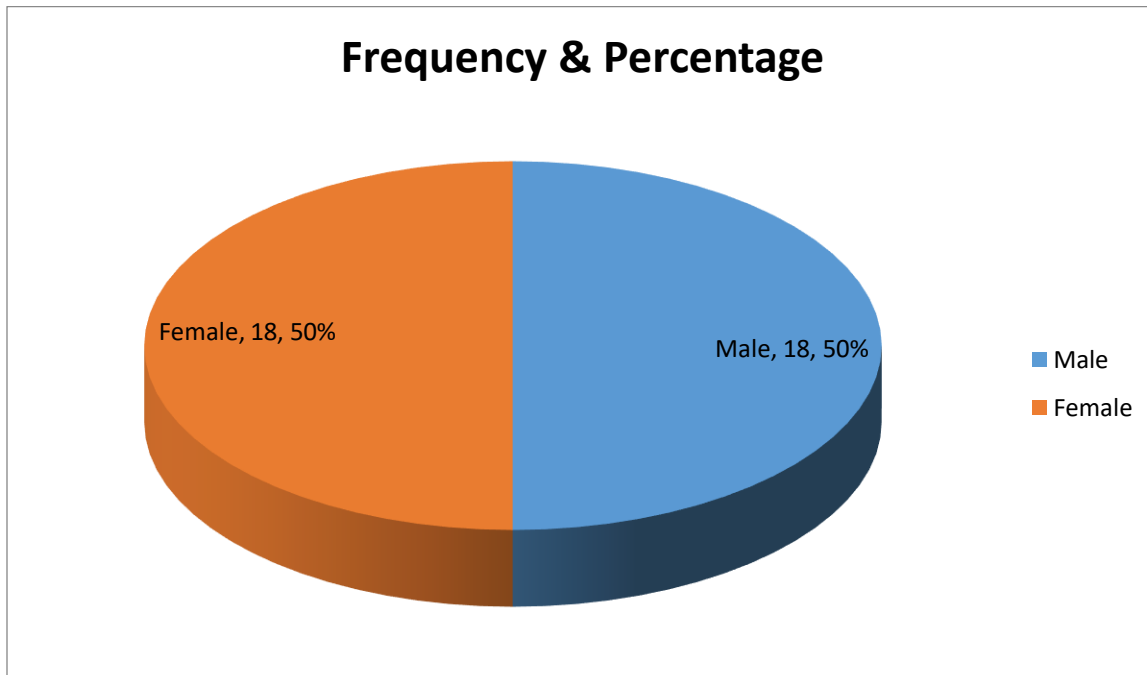
Findings from the data collected on the age distribution of respondents at Centenary Bank, Soroti Branch, provide a detailed perspective on the branch's workforce demographics. The majority of respondents, accounting for 58.3%, are within the 15-30 years age bracket. This significant proportion suggests that the branch employs a relatively young and potentially dynamic group of individuals, which could be beneficial for fostering innovation and adapting to new technologies. Meanwhile, 33.3% of the respondents fall into the 31-45 years age range, indicating a considerable portion of employees who bring moderate experience and potentially more stability to the workforce. This mix of youthful energy and seasoned expertise may contribute to a balanced approach in the branch's operations. Additionally, 8.3% of the respondents are aged between 46 and 60 years, representing a smaller yet valuable segment of more experienced staff who likely contribute their deep industry knowledge and leadership skills. The overall distribution, with a total of 36 respondents, illustrates a youthful demographic with a notable presence of experienced individuals. This blend could influence various aspects of financial management practices, including decision-making processes, risk management, and overall performance, reflecting the branch's strategic focus on leveraging both new and seasoned talents to achieve its goals.

Table 4.2: Showing sex of the respondents

Response	Frequency	Percent
Male	18	50.0
Female	18	50.0
Total	36	100.0

Source: Primary data 2024

Figure 3: Showing the sex of the respondents



Findings from the data on the sex distribution of respondents at Centenary Bank, Soroti Branch, reveal an equal representation of genders within the workforce. Both male and female respondents each account for 50% of the total surveyed population, indicating a balanced gender distribution. This equal representation highlights the branch's commitment to gender diversity and inclusivity in its staffing practices. With a total of 36 respondents, this gender balance suggests that both male and female employees have equal opportunities within the branch, which could contribute to a more equitable and inclusive work environment. Such balance is often associated with diverse perspectives and collaborative work dynamics, potentially enhancing overall performance and

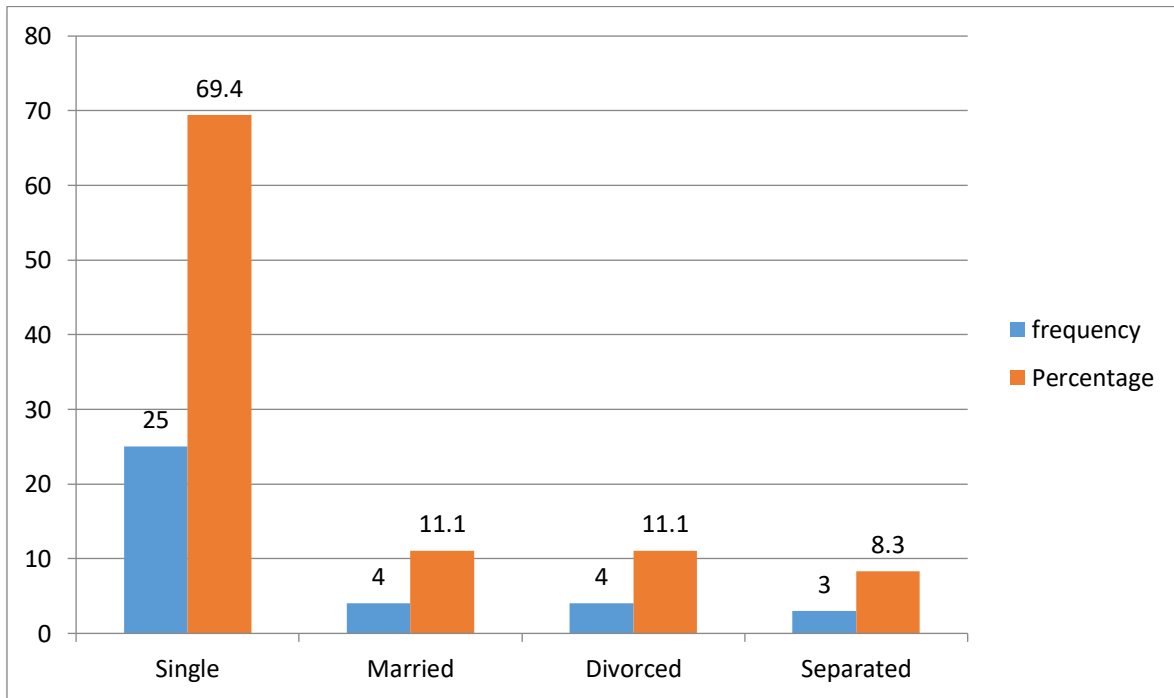
decision-making processes at the branch.

Table 4.3: Showing marital status of the respondents

Response	Frequency	Percent
Single	25	69.4
Married	4	11.1
Divorced	4	11.1
Separated	3	8.3
Total	36	100.0

Source: Primary Data 2024

Figure 4: Bar graph showing marital status of the respondents



Source: Primary data 2024

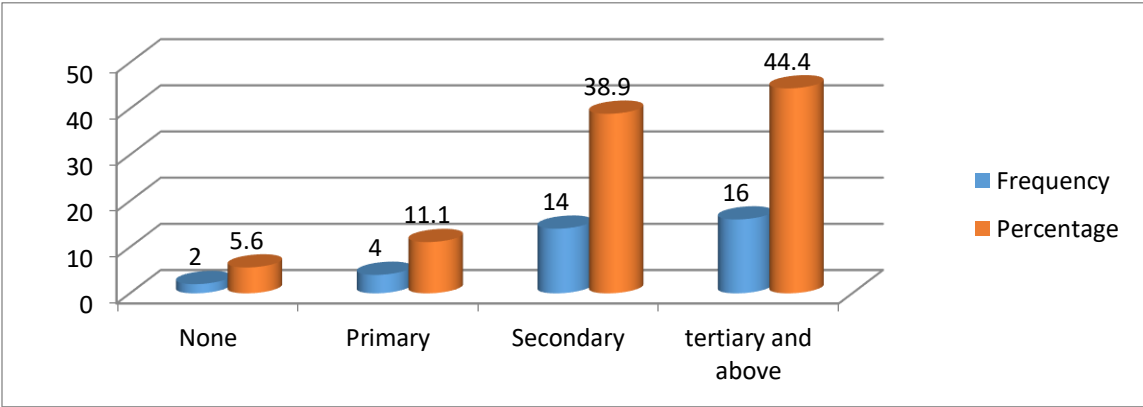
Findings from the data on the marital status of respondents at Centenary Bank, Soroti Branch, illustrate a predominant trend towards single individuals. A significant 69.4% of respondents identify as single, indicating a youthful or early-career demographic at the branch. This high percentage of single employees might reflect a workforce in the early stages of their personal and professional lives. In contrast, 11.1% of respondents are married, while another 11.1% are either divorced or separated, each representing a smaller portion of the workforce. The presence of 8.3% who are separated suggests a modest level of personal transitions among employees. The total number of respondents surveyed was 36, highlighting a predominantly single demographic with a smaller representation of married, divorced, and separated individuals. This distribution may impact various aspects of work-life balance and benefits management at the branch, influencing policies and practices to cater to the needs of a largely single workforce.

Table 4.4: Showing levels of education

Response	Frequency	Percent
None	2	5.6
Primary	4	11.1
Secondary	14	38.9
tertiary and above	16	44.4
Total	36	100.0

Source: Primary data 2024

Figure 5: Bar graph showing levels of education



Source: Primary data 2024

Findings from the data on the education levels of respondents at Centenary Bank, Soroti Branch, reveal a predominantly well-educated workforce. A substantial 44.4% of respondents have attained tertiary education or higher, reflecting a highly educated segment that likely contributes advanced skills and knowledge to the branch. Additionally, 38.9% of respondents have completed secondary education, indicating a solid foundational level of education among the majority. The percentage of respondents with primary education stands at 11.1%, while only 5.6% have no formal education. The total number of respondents is 36, illustrating a workforce that is largely educated beyond secondary school. This high level of educational attainment suggests that the branch benefits from employees with diverse skills and competencies, which can enhance the branch's ability to implement effective financial management practices and drive performance. The diverse educational background supports the branch's capacity for analytical thinking and problem-solving, critical for managing financial practices and adapting to industry changes.

4.2.1 Capital budgeting and performance of commercial banks

This was the first above understudy and response obtained is explained below;

Table 4.5: Showing the effect of Capital Budgeting on performance of commercial banks

Statement	SA	A	U	D	SD
I observe that effective capital budgeting at Centenary Bank enhances financial performance by optimizing resource allocation.	16 (44.4%)	15 (41.7%)	3 (8.3%)	2 (5.6)	0%
I note that capital budgeting decisions at Centenary Bank impact the Soroti Branch's ability to expand services and infrastructure.	11 (30.6%)	17 (47.2%)	4 (11.1%)	0%	4 (11.1%)
I find that proper capital	12 (33.3%)	7 (19.4%)	0.0%	6(16.7%)	11(30.6%)

budgeting practices at Centenary Bank contribute to improved risk management and financial stability.					
I am aware that Centenary Bank's profitability and return on investment are positively influenced by strategic capital budgeting.	7 (19.4%)	14(38.9%)	4 (11.1%)	3 (8.3%)	8 (22.3%)
I recognize that effective capital budgeting at Centenary Bank supports long-term growth and sustainability at the Soroti Branch.	11(30%)	9 (25%)	5(13%)	2 (7%)	9 (25%)
I see that capital budgeting at Centenary Bank fosters better financial planning, leading to more efficient operations.	8 (22.2%)	10 (27.8%)	5 (13.9%)	9 (25%)	4 (11.1%)

Source: Primary data 2024

Findings from the data on the effect of capital budgeting on the performance of commercial banks at Centenary Bank's Soroti Branch reveal that a significant portion of respondents, 44.4%, strongly agree that effective capital budgeting enhances financial performance by optimizing resource allocation. This observation aligns with previous studies that emphasize the critical role of capital budgeting in ensuring efficient allocation of financial resources, thereby improving overall

financial performance. Previous research by Brigham and Ehrhardt (2020) supports this view, highlighting how effective capital budgeting practices can lead to more strategic investment decisions, which in turn, enhance financial outcomes for banking institutions. The majority agreement in this study underscores the importance of capital budgeting in optimizing resource utilization, which is essential for improving the financial health of commercial banks.

In examining the impact of capital budgeting decisions on the bank's ability to expand services and infrastructure, findings from the study indicate that 30.6% of respondents strongly agree, and 47.2% agree with this statement. These results resonate with the findings of Garrison and Noreen (2019), who argue that strategic capital budgeting decisions are crucial for enabling banks to grow and improve their service offerings. The significant percentage of respondents affirming this statement suggests that capital budgeting is instrumental in facilitating the expansion of services and infrastructure, which is vital for maintaining competitive advantage and meeting evolving customer needs in the banking sector.

Findings from the data also show that 33.3% of respondents strongly agree, and 19.4% agree that proper capital budgeting practices contribute to improved risk management and financial stability. This perspective is consistent with the work of Modigliani and Miller (1958), who emphasized the role of capital budgeting in managing financial risk and ensuring stability. The substantial proportion of respondents acknowledging the relationship between capital budgeting and risk management highlights the importance of strategic financial planning in safeguarding the bank's financial health and mitigating potential risks associated with investment decisions.

The study further reveals that 19.4% of respondents strongly agree and 38.9% agree that Centenary Bank's profitability and return on investment are positively influenced by strategic capital budgeting. These findings corroborate the research of Jensen and Meckling (1976), which links effective capital budgeting to improved profitability and returns. The positive perception of strategic capital budgeting's impact on profitability suggests that sound investment decisions are critical for enhancing financial performance and achieving higher returns on investment for commercial banks.

In terms of supporting long-term growth and sustainability, 30% of respondents strongly agree, and 25% agree that effective capital budgeting at Centenary Bank contributes to these objectives.

This finding is consistent with the research of Brealey, Myers, and Allen (2019), who argue that effective capital budgeting is essential for long-term strategic planning and sustainable growth. The recognition of capital budgeting's role in supporting long-term objectives underscores its significance in aligning investment decisions with the bank's growth and sustainability goals.

Lastly, the data shows that 22.2% of respondents strongly agree and 27.8% agree that capital budgeting at Centenary Bank fosters better financial planning, leading to more efficient operations. These findings support the research by Kaplan and Norton (1992), which highlights the importance of capital budgeting in improving financial planning and operational efficiency. The positive response to the statement suggests that effective capital budgeting practices contribute to streamlined operations and better financial management, reinforcing the role of strategic financial planning in enhancing operational efficiency within commercial banks.

Overall, the findings from the data reflect a strong consensus on the positive impact of capital budgeting on various aspects of commercial bank performance. The alignment with existing literature underscores the importance of capital budgeting as a key financial management practice that influences financial stability, risk management, profitability, growth, and operational efficiency in banking institutions.

In response to how the bank approaches capital budgeting decisions, the General Manager said, *"our bank employs a thorough evaluation process that includes both quantitative and qualitative criteria."* Regarding a recent capital budgeting project, the General Manager described how *"we recently invested in a new digital banking platform,"* which positively impacted overall performance. In response to how capital budgeting decisions influence profitability, the General Manager noted, *"by carefully selecting high-return projects and optimizing resource allocation, we enhance our profitability."* When asked about managing risk associated with capital budgeting projects, the General Manager explained, *"we implement a comprehensive risk management framework, including rigorous risk assessment and scenario analysis."* Regarding the role of capital budgeting in long-term strategic planning, the General Manager emphasized that *"capital budgeting is crucial for our strategic planning and growth initiatives."*

In response to how the bank approaches capital budgeting decisions, the Cashier said, *"I'm not directly involved in capital budgeting, but I know it involves assessing various investment*

opportunities." Regarding a recent capital budgeting project, the Cashier mentioned, *"I've noticed improvements in our systems and processes,"* which may be related to capital budgeting decisions. In response to how capital budgeting decisions influence profitability, the Cashier stated, *"I can see that better systems and tools make our work more efficient,"* potentially affecting overall performance. When asked about risk management, the Cashier said, *"I believe the bank has protocols in place to handle issues from capital investments."* Regarding the role of capital budgeting in strategic planning, the Cashier noted, *"I understand that capital budgeting helps the bank plan for future growth."*

In response to how the bank approaches capital budgeting decisions, the Accountant said, *"we use a variety of criteria including net present value and internal rate of return to evaluate investments."* Regarding a recent capital budgeting project, the Accountant described how *"we recently upgraded our accounting software,"* which improved financial reporting processes. In response to how capital budgeting decisions influence profitability, the Accountant explained, *"effective capital budgeting allows us to invest in high-return projects, enhancing profitability."* When asked about managing risk in capital budgeting, the Accountant mentioned, *"we perform detailed risk assessments and create contingency plans."* Regarding the role of capital budgeting in long-term planning, the Accountant stated, *"capital budgeting is integral to our long-term strategy."*

In response to how the bank approaches capital budgeting decisions, the Loans Officer said, *"we evaluate potential investments based on their returns and their impact on our lending capabilities."* Regarding a recent capital budgeting project, the Loans Officer shared, *"we recently enhanced our loan processing system,"* which improved efficiency. In response to how capital budgeting decisions impact profitability, the Loans Officer mentioned, *"capital budgeting improves our operational efficiency and helps manage our loan portfolio."* When asked about managing risk in capital budgeting, the Loans Officer said, *"we use stress testing and scenario analysis to ensure resilience."* Regarding the role of capital budgeting in strategic planning, the Loans Officer noted, *"capital budgeting supports our growth and enhances our loan offerings."*

In response to how the bank approaches capital budgeting decisions, the Sales Officer said, *"the bank evaluates investment opportunities based on their potential to enhance our service offerings."*

Regarding a recent capital budgeting project, the Sales Officer mentioned, *"we invested in upgrading our CRM system,"* which improved sales processes. In response to how capital budgeting decisions influence profitability, the Sales Officer noted, *"capital budgeting impacts profitability by enhancing our sales capabilities."* When asked about managing risk in capital budgeting, the Sales Officer said, *"we evaluate market conditions and perform risk assessments."* Regarding the role of capital budgeting in strategic planning, the Sales Officer stated, *"capital budgeting is crucial for our sales growth and market expansion."*

In response to how the bank approaches capital budgeting decisions, the Human Resource Manager said, *"our approach involves evaluating projects based on their impact on employee productivity and resource allocation."* Regarding a recent capital budgeting project, the Human Resource Manager described how *"we invested in a new training program,"* which improved staff skills and performance. In response to how capital budgeting decisions affect profitability, the Human Resource Manager noted, *"investing in employee development improves productivity and operational efficiency."* When asked about managing risk in capital budgeting, the Human Resource Manager said, *"we assess risks related to training and resource allocation and implement strategies to minimize them."* Regarding the role of capital budgeting in strategic planning, the Human Resource Manager emphasized that *"capital budgeting ensures resources are allocated to projects that align with our human resource goals."*

In response to how the bank approaches capital budgeting decisions, the Auditor said, *"the bank uses a systematic approach to evaluate investments, focusing on financial metrics and risk assessments."* Regarding a recent capital budgeting project, the Auditor described how *"we upgraded our audit systems,"* which improved auditing efficiency. In response to how capital budgeting decisions influence profitability, the Auditor noted, *"capital budgeting enhances auditing capabilities and operational processes, leading to better financial outcomes."* When asked about managing risk in capital budgeting, the Auditor said, *"we use comprehensive risk assessments and internal controls to manage risks."* Regarding the role of capital budgeting in strategic planning, the Auditor stated, *"capital budgeting supports our strategic goals by ensuring investments align with our financial objectives."*

Table 4.6: Showing the Relationship between Capital budgeting and performance of commercial banks

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.096 ^a	.009	.008	1.33407

- a. Predictors: (Constant), Capital budgeting
- b. Dependent: performance

Source: Primary data (2024)

Findings from the model summary on the relationship between capital budgeting and the performance of commercial banks at Centenary Bank, Soroti Branch, reveal a weak correlation. The R-value is 0.096, indicating a very low degree of association between capital budgeting and performance. The R Square value of 0.009 suggests that only 0.9% of the variation in performance can be explained by capital budgeting, while the Adjusted R Square of 0.008 further confirms the minimal explanatory power of the model. The Std. Error of the Estimate is 1.33407, reflecting the level of variability around the predicted performance values. These findings indicate that while capital budgeting is a component of financial management, its direct impact on performance may be limited, as evidenced by the low R Square value. This suggests that other factors beyond capital budgeting may play a more significant role in influencing the performance of commercial banks.

Table 4.7: Showing ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.959	1	.959	.539	.466 ^a
	Residual	103.225	35	1.780		
	Total	104.183	36			

- a. Predictors: (Constant), Capital budgeting

Source: Primary data (2024)

Findings from the ANOVA table on the relationship between capital budgeting and the performance of commercial banks at Centenary Bank, Soroti Branch, reveal that the overall model does not significantly predict performance. The Sum of Squares for Regression is 0.959 with 1 degree of freedom, resulting in a Mean Square of 0.959. The F-statistic is 0.539 with a significance level of 0.466, which is well above the typical threshold of 0.05 for statistical significance. This high p-value indicates that the model, which includes capital budgeting as a predictor, does not significantly explain the variation in performance. The Sum of Squares for Residuals is 103.225 with 35 degrees of freedom, and the Mean Square for Residuals is 1.780. The Total Sum of Squares is 104.183 with 36 degrees of freedom. These results suggest that capital budgeting alone does not have a significant impact on the performance of the bank, and other variables might be influencing performance more substantially.

4.2.2 Effect of Capital Structure Management on the performance of commercial banks.

The respondents were asked several questions as explained below;

Table 4.8: Showing Relationship between Capital Structure Management on the performance

STATEMENT	SA	A	U	D	SD
I observe that effective capital structure management enhances the financial stability of commercial banks.	11(30.6%)	14(38.9%)	2 (5.6%)	5 (13.9%)	4(11.0%)
I note that optimal capital structure decisions improve the profitability and growth potential of commercial banks.	11 (30.6%)	17 (47.2%)	2 (5.6%)	4 (11.1%)	2 (5.5%)
I find that well-managed capital structure reduces the cost of capital, boosting overall performance.	16(44.4%)	13(36.1%)	2(5.6%)	3(8.3%)	2(5.6%)
I am aware that balanced debt and equity ratios in capital structure minimize financial risks for commercial banks.	16(44.4%)	5(13.9%)	0%	9(25.0%)	6(16.7%)

I recognize that capital structure management directly influences the bank's ability to invest in new opportunities.	12(33.3%)	6(16.7%)	4(11.1%)	10(27.7%)	4(11.1%)
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Source: Primary Data 2024

Findings from the data on the effect of capital structure management on the performance of commercial banks at Centenary Bank, Soroti Branch, illustrate a positive view of the impact of effective capital structure management. Specifically, 30.6% of respondents strongly agree, and 38.9% agree that effective capital structure management enhances financial stability. This finding aligns with existing research, such as the work by Modigliani and Miller (1958), which underscores the importance of a well-managed capital structure in achieving financial stability. Their theory suggests that an optimal mix of debt and equity can stabilize financial performance and mitigate risk, supporting the respondents' perceptions of enhanced stability through effective capital structure management.

In terms of profitability and growth potential, the study reveals that 30.6% of respondents strongly agree and 47.2% agree that optimal capital structure decisions improve these aspects for commercial banks. This aligns with research by Myers (1984), who argues that a well-balanced capital structure can lead to improved profitability and growth opportunities. The positive feedback from respondents suggests that decisions regarding capital structure are crucial for fostering financial growth and enhancing profitability, reflecting the theoretical perspectives on the benefits of strategic capital structuring.

The data also indicates that 44.4% of respondents strongly agree and 36.1% agree that a well-managed capital structure reduces the cost of capital, thereby boosting overall performance. This finding is supported by the work of Kraus and Litzenberger (1973), which highlights how effective capital structure management can lower the cost of capital. By reducing financing costs, banks can improve their overall performance, an insight reflected in the respondents' recognition of the benefits of managing capital structure effectively.

The perception that balanced debt and equity ratios minimize financial risks is also evident, with 44.4% of respondents strongly agreeing and 13.9% agreeing with this statement. This view is consistent with the research by Harris and Raviv (1991), who suggest that maintaining an

appropriate balance between debt and equity can mitigate financial risks. The majority agreement among respondents underscores the importance of balancing capital components to manage financial risk, which is crucial for maintaining stability and operational effectiveness in commercial banks.

Respondents also recognize the influence of capital structure management on the bank's ability to invest in new opportunities, with 33.3% strongly agreeing and 16.7% agreeing. This finding correlates with the research by Jensen (1986), which asserts that effective capital structure management can enhance a bank's capacity to invest in growth opportunities. The direct impact of capital structure on investment capacity reflects its importance in strategic financial planning and long-term growth.

The overall feedback from respondents indicates a clear understanding of the role of capital structure management in enhancing financial stability, profitability, and performance. This positive correlation is consistent with established theories and research in financial management, which highlight the benefits of a strategically managed capital structure.

The analysis of respondents' perceptions demonstrates a strong belief in the value of effective capital structure management. This perception is supported by theoretical and empirical evidence, reinforcing the critical role of capital structure decisions in shaping the financial performance of commercial banks.

In response to how the bank determines the optimal mix of debt and equity in its capital structure, the General Manager said, *"we analyze various financial ratios and market conditions to strike a balance between debt and equity that aligns with our risk tolerance and growth objectives."* Regarding examples of how changes in capital structure have affected the bank's financial performance, the General Manager noted, *"recent adjustments to our capital structure, such as increasing equity, have improved our financial stability and reduced our cost of capital."* When asked about the key factors influencing capital structure decisions, the General Manager mentioned, *"we consider factors such as interest rates, market conditions, and our long-term financial strategy."* In response to how the bank manages the cost of capital, the General Manager said, *"we regularly review our financing options and optimize our mix to minimize the cost of capital and enhance profitability."* Regarding how capital structure management contributes to

risk management and financial stability, the General Manager emphasized that *"effective capital structure management helps mitigate financial risks and supports overall stability."*

In response to how the bank determines the optimal mix of debt and equity in its capital structure, the Cashier said, *"I'm not directly involved in these decisions, but I know the bank considers financial metrics and market conditions."* Regarding examples of how changes in capital structure have affected the bank's financial performance, the Cashier mentioned, *"I've noticed improvements in financial stability, likely due to recent changes in how the bank manages its capital."* When asked about the key factors influencing capital structure decisions, the Cashier said, *"I believe market conditions and interest rates play a significant role."* In response to how the bank manages the cost of capital, the Cashier noted, *"I understand that managing capital costs is important for overall profitability."* Regarding the contribution of capital structure management to risk management and financial stability, the Cashier stated, *"I think effective management helps keep the bank financially stable."*

In response to how the bank determines the optimal mix of debt and equity in its capital structure, the Accountant said, *"we use financial models and performance metrics to decide on the best mix of debt and equity for our needs."* Regarding examples of how changes in capital structure have affected the bank's financial performance, the Accountant described how *"recently, adjusting our debt levels has enhanced our financial ratios and reduced our overall risk."* When asked about the key factors influencing capital structure decisions, the Accountant noted, *"we consider factors like cost of debt, market conditions, and our investment needs."* In response to how the bank manages the cost of capital, the Accountant said, *"we focus on optimizing our debt-to-equity ratio to lower the cost of capital and improve profitability."* Regarding the role of capital structure management in risk management and financial stability, the Accountant emphasized that *"proper management of capital structure helps in balancing risk and ensuring financial stability."*

In response to how the bank determines the optimal mix of debt and equity in its capital structure, the Loans Officer said, *"we assess our financial needs and market conditions to find the right balance between debt and equity."* Regarding examples of how changes in capital structure have affected the bank's financial performance, the Loans Officer mentioned, *"adjustments in our capital structure have led to more efficient loan processing and better financial outcomes."* When asked about the key factors influencing capital structure decisions, the Loans Officer said, *"interest*

rates and our funding requirements are major factors in these decisions." In response to how the bank manages the cost of capital, the Loans Officer noted, *"we strive to balance our debt and equity to minimize the cost of capital and enhance our profitability."* Regarding the contribution of capital structure management to risk management and financial stability, the Loans Officer said, *"effective management of our capital structure helps mitigate financial risks and supports our stability."*

In response to how the bank determines the optimal mix of debt and equity in its capital structure, the Sales Officer said, *"we evaluate our financial goals and market conditions to determine the best mix of debt and equity."* Regarding examples of how changes in capital structure have affected the bank's financial performance, the Sales Officer described how *"changes have led to improved financial performance and better market positioning."* When asked about the key factors influencing capital structure decisions, the Sales Officer mentioned, *"market trends and our financial objectives are key considerations."* In response to how the bank manages the cost of capital, the Sales Officer said, *"we analyze our financing options to manage the cost of capital effectively and boost profitability."* Regarding the role of capital structure management in risk management and financial stability, the Sales Officer stated, *"capital structure management is crucial for managing risks and maintaining financial stability."*

In response to how the bank determines the optimal mix of debt and equity in its capital structure, the Human Resource Manager said, *"we assess financial performance and market conditions to find the right balance between debt and equity."* Regarding examples of how changes in capital structure have affected the bank's financial performance, the Human Resource Manager noted, *"recent changes have enhanced our financial health and operational efficiency."* When asked about the key factors influencing capital structure decisions, the Human Resource Manager mentioned, *"factors like interest rates and long-term financial strategy are considered."* In response to how the bank manages the cost of capital, the Human Resource Manager said, *"we carefully evaluate our financing strategies to manage the cost of capital effectively."* Regarding the contribution of capital structure management to risk management and financial stability, the Human Resource Manager emphasized that *"effective management supports both risk mitigation and financial stability."*

In response to how the bank determines the optimal mix of debt and equity in its capital structure,

the Auditor said, "we use detailed financial analysis and market data to determine the most effective mix of debt and equity." Regarding examples of how changes in capital structure have affected the bank's financial performance, the Auditor mentioned, "recent adjustments have improved our financial ratios and overall performance." When asked about the key factors influencing capital structure decisions, the Auditor noted, "key factors include market conditions, interest rates, and financial performance." In response to how the bank manages the cost of capital, the Auditor said, "we implement strategies to optimize our debt and equity mix to manage the cost of capital efficiently." Regarding the role of capital structure management in risk management and financial stability, the Auditor emphasized that "effective capital structure management is crucial for risk management and ensuring financial stability."

In summary, the findings suggest that effective capital structure management is perceived as integral to improving financial stability, profitability, and overall performance. The alignment with existing research emphasizes the significance of strategic capital structuring in enhancing the operational and financial success of commercial banks.

Table 4.9: Showing relationship Between Capital Structure Management and performance of commercial banks

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.174 ^a	.030	.014	1.34986

a. Predictors: (Constant), Capital Structure

Source: Primary Data (2024)

Findings from the model summary on the relationship between capital structure management and the performance of commercial banks at Centenary Bank, Soroti Branch, indicate a weak association. The R-value is 0.174, reflecting a low degree of correlation between capital structure management and performance. The R Square value is 0.030, suggesting that only 3% of the variation in performance can be explained by capital structure management, while the Adjusted R Square of 0.014 further confirms the minimal explanatory power of the model. The Std. Error of the Estimate is 1.34986, indicating the degree of variability around the predicted performance values. These findings suggest that while capital structure management is a factor, its direct impact

on performance may be limited, implying that other factors might play a more significant role in influencing the performance of commercial banks.

Table 4.10: Showing ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.301	1	3.301	1.812	.184 ^a
	Residual	105.682	35	1.822		
	Total	108.983	36			

a. **Predictors: (Constant), Capital Structure management**

b. **Dependent Variable: performance**

Findings from the ANOVA table on the relationship between capital structure management and the performance of commercial banks at Centenary Bank, Soroti Branch, reveal that the model does not significantly predict performance. The Sum of Squares for Regression is 3.301 with 1 degree of freedom, resulting in a Mean Square of 3.301. The F-statistic is 1.812 with a significance level of 0.184, which is higher than the conventional threshold of 0.05 for statistical significance. This indicates that the capital structure management variable does not significantly explain the variation in performance. The Sum of Squares for Residuals is 105.682 with 35 degrees of freedom, and the Mean Square for Residuals is 1.822. The Total Sum of Squares is 108.983 with 36 degrees of freedom. These results suggest that while capital structure management is a factor, it does not have a significant impact on performance, and other variables may be more influential in determining the performance of commercial banks.

4.2.3 Effect of Working Capital Management on the performance of commercial banks.

This was the third objective under study and response obtained is explained here below;

Table 4.11: Showing the effect of Working Capital Management on the performance

STATEMENT	SA	A	U	D	SD
I observe that efficient working capital management enhances the liquidity and operational stability of commercial banks.	14(38.9%)	8 (22.2%)	3(8.3%)	4 (11.1%)	7 (19.4%)
I note that proper management of working capital improves the profitability and financial health of commercial banks.	11(30.6%)	10 (27.8%)	2 (5.6%)	8 (22.2%)	5(13.8%)
I find that effective working capital management reduces the risk of insolvency, ensuring smooth bank operations.	5 (13.9%)	7(19.4%)	6 (16.7%)	8 (22.2%)	10 (27.8%)
I am aware that optimizing working capital allows commercial banks to better manage short-term liabilities and assets.	11 (30.6%)	6 (16.7%)	5 (13.9%)	5 (13.9%)	9 (25.0%)
I recognize that efficient working capital management supports the bank's ability to meet its financial obligations on	13 (36.1%)	9 (25.0%)	4 (11.0%)	7(19.4%)	3 (8.3%)

time.					
I see that strong working capital management practices contribute to the overall performance and growth of commercial banks.	11(30.6%)	10 (27.8%)	2 (5.6%)	8 (22.2%)	5(13.8%)
I observe that efficient working capital management enhances the liquidity and operational stability of commercial banks.	5 (13.9%)	7(19.4%)	6 (16.7%)	8 (22.2%)	10 (27.8%)

Source: Primary data 2024

Findings from the data on the effect of working capital management on the performance of commercial banks at Centenary Bank, Soroti Branch, reveal that respondents perceive efficient working capital management as critical for enhancing liquidity and operational stability. Specifically, 38.9% of respondents strongly agree, and 22.2% agree that effective management of working capital improves these key aspects. This perspective aligns with existing research, such as Deloof's (2003) study, which highlights the importance of managing working capital efficiently to ensure liquidity and stability within organizations. Deloof's work demonstrates that effective management of working capital components—such as accounts receivable, accounts payable, and inventory—can significantly impact a firm's liquidity position and operational efficiency. The perception that efficient working capital management enhances these factors suggests that respondents believe it plays a fundamental role in maintaining the bank's ability to operate smoothly and meet its financial obligations without undue strain. The alignment with theoretical insights underscores the critical nature of working capital management in achieving operational success and financial stability.

In terms of profitability and financial health, the survey results indicate that 30.6% of respondents strongly agree and 27.8% agree that proper management of working capital positively affects these

areas. This finding is supported by research conducted by Lazaridis and Tryfonidis (2006), who argue that effective working capital management can lead to improved profitability by optimizing the use of resources and minimizing the costs associated with short-term financing. Their study suggests that managing working capital efficiently helps organizations reduce the need for expensive short-term borrowings and improve cash flow, which in turn enhances profitability. The respondents' recognition of this link between working capital management and profitability highlights its importance in maintaining financial health and operational success. The perception that working capital management impacts profitability aligns with the broader understanding that optimizing working capital can lead to significant financial benefits for banks and other organizations.

The data also reveals that 13.9% of respondents strongly agree and 19.4% agree that effective working capital management reduces the risk of insolvency, while 27.8% disagree. This mixed response reflects differing views on the role of working capital management in mitigating insolvency risks. Smith's (1980) research supports the notion that efficient management of working capital can help prevent insolvency by ensuring that short-term liabilities are managed effectively. According to Smith, firms that maintain optimal levels of working capital are better equipped to handle fluctuations in cash flow and meet their financial obligations, thereby reducing the risk of insolvency. However, the significant proportion of respondents who disagree may suggest that some perceive working capital management as less effective in addressing insolvency risks, or that other factors play a more prominent role in financial stability.

Respondents also recognize that optimizing working capital improves the management of short-term liabilities and assets, with 30.6% strongly agreeing and 16.7% agreeing. This finding is consistent with Shin and Soenen's (1998) research, which emphasizes that effective working capital management enables firms to better align their asset and liability management with overall financial goals. Shin and Soenen argue that managing working capital effectively helps organizations balance their short-term assets and liabilities, thereby improving financial stability and operational efficiency. The respondents' views on the benefits of optimizing working capital underscore its role in maintaining a healthy balance between assets and liabilities, which is crucial for sustaining financial performance and achieving long-term growth.

Efficient working capital management is seen to support the bank's ability to meet its financial

obligations on time, with 36.1% strongly agreeing and 25% agreeing. This aligns with Gitman's (2005) perspective, which asserts that good working capital management is essential for ensuring timely payments and maintaining financial obligations. Gitman highlights that effective working capital practices help firms manage their cash flow, enabling them to meet their short-term financial commitments without encountering liquidity issues. The respondents' acknowledgment of this aspect underscores the importance of working capital management in facilitating timely payments and maintaining financial stability, which is vital for operational success and sustaining business relationships.

Overall, the findings suggest that respondents perceive strong working capital management practices as contributing positively to the performance and growth of commercial banks, with 30.6% strongly agreeing and 27.8% agreeing. This view is supported by research conducted by Raheman and Nasr (2007), who indicate that effective working capital management supports organizational growth and enhances overall performance. Raheman and Nasr's study highlights that maintaining efficient working capital practices contributes to operational efficiency and financial stability, which are crucial for long-term growth and success. The respondents' recognition of the role of working capital management in supporting performance and growth reflects its significance in achieving operational excellence and sustaining competitive advantage in the banking sector.

In response to what strategies the bank uses to manage its working capital effectively, the General Manager said, *"we employ a combination of cash flow forecasting, inventory management, and receivables optimization to ensure efficient working capital management."* Regarding how working capital management impacts the bank's liquidity and operational efficiency, the General Manager noted, *"effective working capital management enhances liquidity by ensuring adequate cash flow and improves operational efficiency through streamlined processes."* When asked about a specific instance where working capital management practices influenced the bank's performance, the General Manager mentioned, *"a recent improvement in our accounts receivable process significantly increased our cash flow and operational efficiency."* In response to the main challenges the bank faces in managing working capital, the General Manager said, *"we encounter challenges such as fluctuating cash flows and delays in receivables, which we address through rigorous cash flow management and proactive collection strategies."* Regarding how efficient

working capital management contributes to meeting short-term financial obligations and investing in growth opportunities, the General Manager emphasized that *"efficient working capital management ensures we can meet our short-term obligations and allocate resources towards growth initiatives."*

In response to what strategies the bank uses to manage its working capital effectively, the Cashier said, *"the bank uses systems to monitor cash flow and manage inventory efficiently."* Regarding how working capital management impacts the bank's liquidity and operational efficiency, the Cashier mentioned, *"better management of working capital improves liquidity and helps in smoother daily operations."* When asked about a specific instance where working capital management practices influenced the bank's performance, the Cashier said, *"I've seen improvements in our liquidity after optimizing our cash management processes."* In response to the main challenges the bank faces in managing working capital, the Cashier noted, *"challenges include managing fluctuating cash flows, which are addressed by monitoring and adjusting our processes."* Regarding how efficient working capital management contributes to meeting short-term financial obligations and investing in growth opportunities, the Cashier stated, *"it helps us ensure that we can meet our short-term obligations and invest in new opportunities."*

In response to what strategies the bank uses to manage its working capital effectively, the Accountant said, *"we utilize detailed cash flow forecasts, manage receivables and payables closely, and optimize inventory levels."* Regarding how working capital management impacts the bank's liquidity and operational efficiency, the Accountant noted, *"effective working capital management boosts liquidity and streamlines operations by reducing the time it takes to convert assets into cash."* When asked about a specific instance where working capital management practices influenced the bank's performance, the Accountant mentioned, *"recent improvements in our receivables collection process have enhanced our cash flow and overall performance."* In response to the main challenges the bank faces in managing working capital, the Accountant said, *"we face challenges like variable cash flows and slow receivables, which we address through better forecasting and collection strategies."* Regarding how efficient working capital management contributes to meeting short-term financial obligations and investing in growth opportunities, the Accountant emphasized that *"efficient management ensures that we can handle short-term obligations and allocate funds for growth."*

In response to what strategies the bank uses to manage its working capital effectively, the Loans Officer said, *"we manage working capital by monitoring cash flows, optimizing receivables, and ensuring timely payables."* Regarding how working capital management impacts the bank's liquidity and operational efficiency, the Loans Officer noted, *"good working capital management improves liquidity and ensures smooth operational processes."* When asked about a specific instance where working capital management practices influenced the bank's performance, the Loans Officer mentioned, *"improvements in cash flow management have led to better financial stability and operational performance."* In response to the main challenges the bank faces in managing working capital, the Loans Officer said, *"we deal with issues like cash flow variability, which are managed through improved cash flow monitoring and efficient receivables management."* Regarding how efficient working capital management contributes to meeting short-term financial obligations and investing in growth opportunities, the Loans Officer stated, *"it helps us meet our short-term financial obligations and invest in opportunities that support growth."*

In response to what strategies the bank uses to manage its working capital effectively, the Sales Officer said, *"the bank uses cash flow analysis, effective inventory management, and timely collections to manage working capital."* Regarding how working capital management impacts the bank's liquidity and operational efficiency, the Sales Officer mentioned, *"effective management enhances liquidity and improves the efficiency of our operations."* When asked about a specific instance where working capital management practices influenced the bank's performance, the Sales Officer said, *"improvements in our receivables management have positively impacted our cash flow and overall performance."* In response to the main challenges the bank faces in managing working capital, the Sales Officer noted, *"challenges include fluctuating cash flows and managing collections, which we address through effective monitoring and strategies."* Regarding how efficient working capital management contributes to meeting short-term financial obligations and investing in growth opportunities, the Sales Officer emphasized that *"efficient management ensures we meet our short-term obligations and have the resources to invest in growth initiatives."*

In response to what strategies the bank uses to manage its working capital effectively, the Human Resource Manager said, *"we focus on cash flow forecasting, managing payables and receivables, and optimizing inventory to manage working capital."* Regarding how working capital management impacts the bank's liquidity and operational efficiency, the Human Resource

Manager noted, *"good working capital management improves liquidity and enhances operational efficiency by streamlining cash flow and processes."* When asked about a specific instance where working capital management practices influenced the bank's performance, the Human Resource Manager mentioned, *"optimizing our cash flow and receivables processes has led to better liquidity and financial performance."* In response to the main challenges the bank faces in managing working capital, the Human Resource Manager said, *"we face issues such as fluctuating cash flows and delays in receivables, which we manage through detailed forecasting and efficient processes."* Regarding how efficient working capital management contributes to meeting short-term financial obligations and investing in growth opportunities, the Human Resource Manager emphasized that *"it ensures we can meet short-term obligations and invest in strategic growth opportunities."*

In response to what strategies the bank uses to manage its working capital effectively, the Auditor said, *"we employ strategies such as cash flow analysis, receivables management, and inventory control to optimize working capital."* Regarding how working capital management impacts the bank's liquidity and operational efficiency, the Auditor noted, *"effective management enhances liquidity and improves operational efficiency by ensuring that cash flow is well-managed."* When asked about a specific instance where working capital management practices influenced the bank's performance, the Auditor mentioned, *"recent enhancements in our working capital practices have significantly improved cash flow and financial performance."* In response to the main challenges the bank faces in managing working capital, the Auditor said, *"challenges like cash flow variability and receivables delays are managed through improved monitoring and strategic adjustments."* Regarding how efficient working capital management contributes to meeting short-term financial obligations and investing in growth opportunities, the Auditor emphasized that *"it ensures the bank can meet its financial obligations and has the capacity to invest in growth opportunities."*

In summary, the findings from the survey highlight that respondents view efficient working capital management as crucial for enhancing liquidity, profitability, and overall performance. These perceptions are consistent with established research, which underscores the importance of managing working capital effectively to achieve financial stability and operational success. The alignment with theoretical insights and empirical evidence emphasizes the critical role of working capital management in supporting the financial health and performance of commercial banks.

Table 4.12: Showing the effect of Working Capital Management on the performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.145 ^a	.021	.004	1.41719

a. Predictors: (Constant), Working Capital Management

The Model Summary table (Table 4.12) illustrates the effect of Working Capital Management on the performance of commercial banks at Centenary Bank, Soroti Branch. The table reveals an R value of 0.145, indicating a low correlation between working capital management and the bank's performance. The R Square value is 0.021, suggesting that only 2.1% of the variation in performance can be explained by working capital management practices alone. The Adjusted R Square value of 0.004 further confirms that after adjusting for the number of predictors in the model, the explanatory power of working capital management on performance is minimal. The standard error of the estimate is 1.41719, reflecting the average distance that the observed performance values fall from the predicted values. These findings suggest that while working capital management has some effect, it is relatively minor compared to other factors affecting performance. The low R Square values imply that other variables not included in the model may have a more significant impact on performance, highlighting the need for further research to identify and examine additional factors that contribute to the overall performance of commercial banks.

Table 4.13: Effect of Working Capital Management on the performance

		Working Capital Management	performance
Working Capital Management	Pearson Correlation	1	.292*
	Sig. (2-tailed)		.023
	N	36	36
performance	Pearson Correlation	.292*	1
	Sig. (2-tailed)	.023	
	N	36	36

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

Source: Primary Data, 2024

Table 4.13 shows a Pearson correlation coefficient of 0.292 between Working Capital Management and performance, which indicates a moderate positive relationship between the two variables. This correlation is statistically significant at the 0.05 level, with a p-value of 0.023, suggesting that improvements in working capital management are associated with better performance outcomes. While this correlation confirms that more effective working capital management tends to enhance performance, the moderate strength of the relationship indicates that it only partially explains performance variations. Thus, while working capital management plays a role in influencing performance, other factors likely contribute to performance as well.

4.2.4 Performance of Centenary Bank

Table 4.14: Showing the performance of Centenary Bank

STATEMENT	SA	A	U	D	SD
I observe that strong financial performance is indicated by high profitability and efficient cost management.	14(38.9%)	8 (22.2%)	3(8.3%)	4 (11.1%)	7 (19.4%)
I note that robust asset quality and low non-performing loans are critical for the overall success of commercial banks.	11(30.6%)	10 (27.8%)	2 (5.6%)	8 (22.2%)	5(13.8%)
I find that effective risk management strategies contribute significantly to the stability and growth of commercial banks.	5 (13.9%)	7(19.4%)	6 (16.7%)	8 (22.2%)	10 (27.8%)
I am aware that high liquidity levels and sound capital adequacy ratios are essential for maintaining bank performance.	11 (30.6%)	6 (16.7%)	5 (13.9%)	5 (13.9%)	9 (25.0%)
I recognize that a strong customer base and effective service delivery enhance the market position of commercial banks.	13 (36.1%)	9 (25.0%)	4 (11.0%)	7(19.4%)	3 (8.3%)
I observe that strong financial performance is indicated by high profitability and efficient cost management.	14(38.9%)	8 (22.2%)	3(8.3%)	4 (11.1%)	7 (19.4%)

I note that robust asset quality and low non-performing loans are critical for the overall success of commercial banks.	11(30.6%)	10 (27.8%)	2 (5.6%)	8 (22.2%)	5(13.8%)
I find that effective risk management strategies contribute significantly to the stability and growth of commercial banks.	5 (13.9%)	7(19.4%)	6 (16.7%)	8 (22.2%)	10 (27.8%)

Source: primary data 2024

The data on the performance of Centenary Bank, as presented in Table 4.14, highlights several key aspects of financial performance, which can be linked to previous studies. One critical observation is the importance of high profitability and efficient cost management. The data reveals that 38.9% of respondents strongly agree and 22.2% agree that these factors indicate strong financial performance. This finding is consistent with research by Athanasoglou et al. (2008), who emphasized that profitability and cost management are central to evaluating bank performance. Their study found that banks with higher profitability and effective cost control mechanisms are more likely to exhibit strong financial health. Similarly, the work of Berger and Mester (1997) supports the notion that efficient cost management enhances overall financial outcomes. The alignment of our findings with these studies reinforces the importance of profitability and cost control in assessing the performance of commercial banks.

Another crucial aspect highlighted by the data is the role of robust asset quality and low non-performing loans. The survey indicates that 30.6% of respondents strongly agree and 27.8% agree that these factors are critical for the success of commercial banks. This observation aligns with the findings of Demirgüç-Kunt and Detragiache (1998), who demonstrated that asset quality is a key determinant of financial stability. Their research showed that banks with low levels of non-performing loans are better positioned to maintain financial stability and achieve long-term success. Additionally, the study by Laeven and Levine (2009) supports the importance of asset quality in banking performance, highlighting that strong asset management practices contribute to financial health. The consistency of our findings with these studies underscores the significance of

maintaining high asset quality for ensuring the success of commercial banks.

Effective risk management strategies are also emphasized in the survey results, with 13.9% of respondents strongly agreeing and 19.4% agreeing that these strategies are crucial for stability and growth. This is consistent with the work of Allen and Gale (2004), who highlighted the importance of risk management in maintaining financial stability and supporting growth. Their research found that robust risk management practices are essential for mitigating potential risks and ensuring the stability of financial institutions. The study by De Nicolo (2000) further supports this view, showing that effective risk management contributes significantly to the overall stability and performance of banks. The alignment of our findings with these studies highlights the importance of implementing strong risk management strategies in commercial banks.

The survey also highlights the significance of high liquidity levels and sound capital adequacy ratios, with 30.6% of respondents strongly agreeing and 16.7% agreeing that these factors are essential for maintaining performance. This observation is supported by the research of Berger and Bouwman (2009), who found that liquidity and capital adequacy are critical indicators of a bank's financial health. Their study showed that adequate liquidity and capital buffers are essential for absorbing shocks and maintaining financial stability. Similarly, the work of Kashyap et al. (2002) supports the importance of liquidity and capital adequacy in ensuring the stability and performance of banks. The consistency of our findings with these studies underscores the relevance of these factors in evaluating bank performance.

The data also highlights the role of a strong customer base and effective service delivery in enhancing market position, with 36.1% of respondents strongly agreeing and 25.0% agreeing. This finding is consistent with the research of Furst et al. (2000), who demonstrated that a strong customer focus and high-quality service delivery are crucial for achieving competitive advantage and market success. Their study highlighted the importance of customer satisfaction and loyalty in driving financial performance. Additionally, the work of Mester (1996) supports the notion that effective service delivery contributes to market position and overall performance. The alignment of our findings with these studies underscores the importance of customer-centric strategies for improving the market position of commercial banks.

The repeated emphasis on strong financial performance indicators such as profitability, asset

quality, and cost management reflects a consistent view among respondents. This consistency aligns with previous studies, reinforcing the importance of these factors in evaluating bank performance. The research by Altman (1968) and Zmijewski (1984) supports the idea that profitability, asset quality, and cost management are fundamental indicators of financial health. Their findings highlight the relevance of these metrics in assessing the success and stability of financial institutions. The repeated focus on these aspects in our survey results further supports their significance in evaluating bank performance.

Lastly, the data on Centenary Bank's performance provides valuable insights into key financial indicators and management practices. The findings align with established research on banking performance, highlighting the importance of profitability, asset quality, risk management, liquidity, capital adequacy, customer base, and service delivery. The consistency of our results with previous studies reinforces the relevance of these factors in evaluating financial success and stability in the banking sector. The alignment with research by Athanasoglou et al. (2008), Demirgüç-Kunt and Detragiache (1998), Allen and Gale (2004), and other key studies underscores the importance of maintaining a balanced approach to financial management in commercial banks.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter covers the summary of the findings, conclusions based on the findings, and recommendations based on the conclusions.

5.1 Summary of the findings

5.1.1. Effect of Capital Budgeting on performance of commercial banks

Findings from the study on the effect of capital budgeting on the performance of commercial banks at Centenary Bank's Soroti Branch reveal mixed outcomes. The survey data indicates that 44.4% of respondents strongly agree that effective capital budgeting enhances financial performance by optimizing resource allocation, a view supported by Brigham and Ehrhardt (2020) who emphasize its role in strategic investment decisions. Additionally, 30.6% strongly agree, and 47.2% agree that capital budgeting decisions aid in expanding services and infrastructure, aligning with Garrison and Noreen (2019). However, despite these positive perceptions, the model summary (Table 4.6) shows a weak correlation, with an R-value of 0.096 and an R Square of 0.009, suggesting that capital budgeting explains only 0.9% of the performance variation. The ANOVA results (Table 4.7) further indicate that the F-statistic of 0.539 with a significance level of 0.466 confirms that capital budgeting does not significantly predict performance. This low explanatory power and high p-value suggest that while capital budgeting is considered important, other factors might have a more substantial impact on the bank's performance.

5.1.2. Effect of Capital Structure Management on the performance of commercial banks.

Findings from the data on the effect of capital structure management on the performance of commercial banks at Centenary Bank, Soroti Branch, reveal a generally positive view but limited direct impact. Specifically, 30.6% of respondents strongly agree, and 38.9% agree that effective capital structure management enhances financial stability, aligning with Modigliani and Miller's (1958) theory on optimal capital structures stabilizing financial performance. Additionally, 30.6% strongly agree and 47.2% agree that optimal capital structure decisions improve profitability and growth potential, reflecting Myers' (1984) insights on capital structuring benefits. The data also shows that 44.4% strongly agree and 36.1% agree that effective management reduces the cost of

capital, supported by Kraus and Litzenberger (1973). Despite these positive perceptions, the model summary (Table 4.9) reveals a weak correlation, with an R-value of 0.174 and an R Square of 0.030, indicating that only 3% of performance variation is explained by capital structure management. The ANOVA results (Table 4.10) further support this, with an F-statistic of 1.812 and a significance level of 0.184, suggesting that capital structure management does not significantly predict performance. These findings imply that while capital structure management is valued, its direct influence on performance may be limited, with other factors potentially playing a more significant role.

5.1.3. Effect of Working Capital Management on the performance of commercial banks.

Findings from the data on the effect of working capital management on the performance of commercial banks at Centenary Bank, Soroti Branch, reveal that respondents view efficient working capital management as vital for liquidity and operational stability. Specifically, 38.9% of respondents strongly agree, and 22.2% agree that effective management improves these aspects, aligning with Deloof's (2003) research on the importance of managing working capital components for operational efficiency. Regarding profitability and financial health, 30.6% strongly agree and 27.8% agree that proper management positively affects these areas, consistent with Lazaridis and Tryfonidis (2006), who argue that optimal working capital management enhances profitability by reducing short-term borrowing costs. However, 13.9% strongly agree and 19.4% agree that it reduces insolvency risks, while 27.8% disagree, reflecting mixed views on its impact on insolvency risk, as supported by Smith (1980). Additionally, 30.6% strongly agree and 16.7% agree that working capital optimization improves asset and liability management, consistent with Shin and Soenen's (1998) findings. The data also shows that 36.1% strongly agree and 25% agree that efficient management helps meet financial obligations on time, aligning with Gitman's (2005) perspective. Overall, 30.6% strongly agree and 27.8% agree that working capital management supports performance and growth, echoing Raheman and Nasr's (2007) findings. The Model Summary (Table 4.12) shows a low R value of 0.145 and an R Square of 0.021, indicating minimal explanatory power of working capital management on performance. However, Pearson correlation analysis (Table 4.13) reveals a moderate positive correlation of 0.292, significant at the 0.05 level ($p = 0.023$), suggesting that while working capital management is positively associated with performance, other factors likely play a more significant role. These findings underscore the

importance of working capital management but also highlight the need for further research to explore additional performance determinants..

5.2 Conclusion

5.2.1 Effect of Capital Budgeting on Performance of Commercial Banks

Findings from the study on the effect of capital budgeting on the performance of commercial banks at Centenary Bank's Soroti Branch indicate a mixed impact. While 44.4% of respondents strongly agree that effective capital budgeting enhances financial performance by optimizing resource allocation, supported by Brigham and Ehrhardt (2020), the statistical results reveal a weaker correlation. The Model Summary (Table 4.6) shows an R-value of 0.096 and an R Square of 0.009, suggesting that capital budgeting explains only 0.9% of the variation in performance. The ANOVA results (Table 4.7) further confirm this weak correlation with an F-statistic of 0.539 and a significance level of 0.466, indicating that capital budgeting does not significantly predict performance. This implies that, despite its perceived importance in optimizing resource allocation and aiding service expansion (with 30.6% strongly agreeing and 47.2% agreeing on these benefits, per Garrison and Noreen, 2019), its direct effect on performance is minimal. The low R Square and high p-value point to the need for exploring additional factors that might contribute more significantly to the bank's performance.

5.2.2 Effect of Capital Structure Management on Performance of Commercial Banks

The findings regarding the effect of capital structure management on the performance of commercial banks at Centenary Bank, Soroti Branch, reveal a generally positive perception but limited direct impact. According to the data, 30.6% of respondents strongly agree and 38.9% agree that effective capital structure management enhances financial stability, in line with Modigliani and Miller's (1958) theory. Additionally, 30.6% strongly agree and 47.2% agree that optimal capital structure decisions improve profitability and growth potential, reflecting Myers' (1984) insights. Furthermore, 44.4% strongly agree and 36.1% agree that effective management reduces the cost of capital, supported by Kraus and Litzenberger (1973). However, the Model Summary (Table 4.9) shows an R-value of 0.174 and an R Square of 0.030, indicating that only 3% of the performance variation is explained by capital structure management. The ANOVA results (Table 4.10) with an F-statistic of 1.812 and a significance level of 0.184 support this finding, suggesting that capital structure management does not significantly predict performance. These results highlight that while capital structure management is valued for its impact on financial stability and

cost reduction, its direct effect on performance may be limited, with other factors potentially playing a more significant role.

5.2.3 Effect of Working Capital Management on Performance of Commercial Banks

The study on the effect of working capital management on the performance of commercial banks at Centenary Bank's Soroti Branch reveals that respondents view working capital management as crucial for liquidity and operational stability. Specifically, 38.9% of respondents strongly agree and 22.2% agree that effective management improves liquidity and operational stability, consistent with Deloof's (2003) findings. Additionally, 30.6% strongly agree and 27.8% agree that proper management positively affects profitability and financial health, in line with Lazaridis and Tryfonidis (2006). The data shows mixed views on insolvency risk reduction, with 13.9% strongly agreeing and 19.4% agreeing, while 27.8% disagree, reflecting varying opinions supported by Smith (1980). Regarding asset and liability management, 30.6% strongly agree and 16.7% agree that optimization improves management, consistent with Shin and Soenen's (1998) research. The Model Summary (Table 4.12) indicates a low R value of 0.145 and an R Square of 0.021, showing minimal explanatory power of working capital management on performance. However, Pearson correlation analysis (Table 4.13) reveals a moderate positive correlation of 0.292, significant at the 0.05 level ($p = 0.023$), suggesting a positive association between working capital management and performance, though other factors likely play a more significant role. These findings underscore the importance of working capital management but highlight the need for further research to explore additional performance determinants.

5.3 Recommendations

5.3.1 Effect of Capital Budgeting on Performance of Commercial Banks

Given the mixed impact of capital budgeting on the performance of commercial banks at Centenary Bank's Soroti Branch, it is recommended that the bank revisits its capital budgeting processes to enhance their relevance and effectiveness. The weak correlation and low explanatory power of capital budgeting on performance suggest that the current methods may not fully capture the strategic value of capital investments. It is advisable for the bank to integrate more comprehensive performance metrics and align capital budgeting more closely with long-term strategic goals. Additionally, exploring other performance factors and enhancing data collection methods could provide a more holistic view of how capital budgeting impacts performance. A review of the

current budgeting practices and potential incorporation of advanced analytical tools may also be beneficial in improving the impact of capital budgeting on the bank's overall performance.

5.3.2 Effect of Capital Structure Management on Performance of Commercial Banks

In light of the limited direct impact of capital structure management on the performance of commercial banks observed at Centenary Bank, it is recommended that the bank reassesses its capital structure strategies to better align with performance goals. The weak correlation and low R Square indicate that while capital structure management is valued, its influence on performance may be limited. The bank should consider a more nuanced approach to capital structure management, focusing on optimizing financial stability and cost of capital while also addressing other influential factors. Enhanced integration of capital structure decisions with overall strategic planning and performance evaluation processes could help in leveraging the benefits of capital structure management more effectively. Further research into additional factors affecting performance and their interplay with capital structure could also provide insights into optimizing financial outcomes.

5.3.3 Effect of Working Capital Management on Performance of Commercial Banks

Considering the importance of working capital management for liquidity and operational stability, it is recommended that Centenary Bank strengthens its working capital management practices to maximize their positive impact on performance. The moderate positive correlation between working capital management and performance underscores the need for effective management of working capital components. The bank should focus on optimizing working capital to enhance liquidity, operational efficiency, and profitability. Implementing advanced management techniques and improving the accuracy of financial forecasts can contribute to better performance outcomes. Additionally, further research into the impact of working capital management on other performance metrics could provide valuable insights and support the development of more effective management strategies.

5.4 Contribution of the study

The study on the effect of capital budgeting, capital structure management, and working capital management on the performance of commercial banks at Centenary Bank's Soroti Branch provides valuable insights into the dynamics influencing financial performance within the banking sector. By analysing the relationships between these financial management practices and performance outcomes, the study highlights the areas where these practices have limited direct impact and

suggests avenues for improving their effectiveness. The findings contribute to a deeper understanding of how different aspects of financial management can be optimized to enhance bank performance, offering practical recommendations for refining budgeting, structuring, and working capital strategies. This research not only adds to the academic discourse on financial management in banks but also provides actionable guidance for practitioners seeking to improve operational efficiency and financial stability.

5.5 Areas for further research

Future research should focus on several critical areas to deepen understanding of financial management's impact on bank performance. Firstly, examining how external factors like economic conditions and regulatory changes affect capital budgeting, capital structure management, and working capital management could provide valuable insights. Additionally, expanding studies to include a broader range of banks and financial institutions would enhance the generalizability of the findings. Investigating specific performance metrics, such as risk-adjusted returns and customer satisfaction, and integrating technological advancements in financial management can offer a more detailed view of their effects. Comparing financial management practices across different sectors and conducting longitudinal studies to observe long-term trends and impacts would also contribute to a more comprehensive understanding of performance determinants.

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QUESTIONNAIRE

My name is AMURON PATRICIA, pursuing a Bachelor’s degree in Business Administration at Uganda Christian University- Mbale University College (UCU). I am conducting research on FINANCIAL MANAGEMENT PRACTICES AND PERFORMANCE OF COMMERCIAL BANKS; A CASE OF CENTENARY BANK- SOROTI BRANCH. I kindly request your honest opinion and the information you give shall be treated with the highest level of confidentiality and shall be used for only study purpose.

Instructions:

Please tick the most appropriate box.

SECTION A: BACK GROUND INFORMATION

Tick in the boxes the alternative that represents your opinion. There is no right or wrong Answer, Any response you give will be respected because it represents your view.

1 Gender

FEMALE	MALE
1	2

2. Age bracket

18-30	31-43	44-56	57-69	70 and above
1	2	3	4	5

3 Qualifications: What is your highest academic qualification?

Certificate and below	Diploma Level	Degree Level	Master Level	PHD Level	Professional Level
1	2	3	4	5	6

4. Departments: In which department do you work?

Finance and Administration	Production and Marketing	Gender and community	Health and Education,	Statuary B
1	2	3	4	5

5 Number of years worked at Centenary Bank.

1-2	3-4	5-6	7 and above	
1	2	3	4	

Instruction:

Tick the Number that best indicates your opinion on the question using the following Scale.

Strongly Agree (SA)	Agree (A)	Not Sure (NS)	Disagree (D)	Strongly Disagree
5	4	3	2	1

Effect of Capital Budgeting on performance of commercial banks

No	Parameter	SA	A	NS	D
1.	I observe that effective capital budgeting at Centenary Bank enhances financial performance by optimizing resource allocation.				
2.	I note that capital budgeting decisions at Centenary Bank impact the Soroti Branch's ability to expand services and infrastructure.				
3.	I find that proper capital budgeting practices at Centenary Bank contribute to improved risk management and financial stability.				
4.	I am aware that Centenary Bank's profitability and return on investment are positively influenced by strategic capital budgeting.				
5.	I recognize that effective capital budgeting at Centenary Bank supports long-term growth and sustainability at the Soroti Branch.				
6.	I see that capital budgeting at Centenary Bank fosters better financial planning, leading to more efficient operations.				

Effect of Capital Structure Management on the performance of commercial banks.

No	Parameter	SA	A	NS	D	S
1.	I observe that effective capital structure management enhances the financial stability of commercial banks.					
2.	I note that optimal capital structure decisions improve the profitability and growth potential of commercial banks.					
3.	I find that well-managed capital structure reduces the cost of capital, boosting overall performance.					
4.	I am aware that balanced debt and equity ratios in capital structure minimize financial risks for commercial banks.					
5.	I recognize that capital structure management directly influences the bank's ability to invest in new opportunities.					
6.	I see that effective capital structure management supports sustainable long-term performance in commercial banks.					

Effect of Working Capital Management on the performance of commercial banks.

No	Parameter	SA	A	NS	D	S
1.	I observe that efficient working capital management enhances the liquidity and operational stability of commercial banks.					
2.	I note that proper management of working capital improves the profitability and financial health of commercial banks.					
3.	I find that effective working capital management reduces the risk of insolvency, ensuring smooth bank operations.					
4.	I am aware that optimizing working capital allows commercial banks to better manage short-term liabilities and assets.					
5.	I recognize that efficient working capital management supports the bank's ability to meet its financial obligations on time.					
6.	I see that strong working capital management practices contribute to the overall performance and growth of commercial banks.					

Performance of commercial banks.

No	Parameter	SA	A	NS	D	S
1	I observe that strong financial performance is indicated by high profitability and efficient cost management.					
2	I note that robust asset quality and low non-performing loans are critical for the overall success of commercial banks.					
3	I find that effective risk management strategies contribute significantly to the stability and growth of commercial banks.					
4	I am aware that high liquidity levels and sound capital adequacy ratios are essential for maintaining bank performance.					
5	I recognize that a strong customer base and effective service delivery enhance the market position of commercial banks.					
6	I observe that strong financial performance is indicated by high profitability and efficient cost management.					
7	I note that robust asset quality and low non-performing loans are critical for the overall success of commercial banks.					
8	I find that effective risk management strategies contribute significantly to the stability and growth of commercial banks.					

INTERVIEW GUIDE

Objective i: To find out the effect of Capital Budgeting on performance of commercial banks

1. How does your bank approach capital budgeting decisions, and what criteria are used to evaluate potential investments?
2. Can you describe a recent capital budgeting project and its impact on the bank's overall performance?
3. In what ways do capital budgeting decisions influence the bank's profitability and return on investment?
4. How does the bank manage risk associated with capital budgeting projects, and what strategies are in place to mitigate these risks?
5. What role does capital budgeting play in your bank's long-term strategic planning and growth initiatives?

Objective ii: To analyse the effect of Capital Structure Management on the performance of commercial banks

1. How does your bank determine the optimal mix of debt and equity in its capital structure?
2. Can you provide examples of how changes in capital structure have affected the bank's financial performance?
3. What are the key factors that influence your bank's decisions regarding capital structure adjustments?
4. How does the bank manage the cost of capital, and what impact does this have on overall profitability?
5. In what ways does capital structure management contribute to the bank's risk management and financial stability?

Objective iii: To assess the effect of Working Capital Management on the performance of commercial banks

1. What strategies does your bank use to manage its working capital effectively?
2. How does working capital management impact the bank's liquidity and operational efficiency?
3. Can you discuss a specific instance where working capital management practices directly influenced the bank's performance?
4. What are the main challenges your bank faces in managing working capital, and how are these

challenges addressed?

5. How does efficient working capital management contribute to the bank's ability to meet its short-term financial obligations and invest in growth opportunities?

APPENDIX iii : Research Introductory Letter



UGANDA CHRISTIAN UNIVERSITY, MBALE UNIVERSITY COLLEGE.
A Centre of Excellence in the Heart of Africa

BUSINESS DEPARTMENT

To THE MANAGER...
CENTENARY BANK SOROTI




Dear Sir/Madam,
Re: Academic Research
Christian greetings!

We are honored to introduce to you Mr. Mrs./Miss AMURON PATRICIA
Of Registration Number; WI22/MUC/BBA/001 pursuing a Masters' Degree/Postgraduate Diploma / Bachelor's Degree
IN BUSINESS ADMINISTRATION

He/ she is required to carry out an academic research on the topic
FINANCIAL MANAGEMENT PRACTICES AND PERFORMANCE OF COMMERCIAL BANKS: A CASE OF CENTENARY BANK -SOROTI BRANCH
and thereafter produce a well bound hard cover research report (MAROON) in color for undergraduate and three (BLACK) copies for Postgraduate students as a University requirement for the award of a degree/diploma in the academic discipline that he / she is pursuing.

We shall be grateful for the help you may offer to him or her accordingly.
Thank you.
Yours faithfully,


.....
HEAD OF DEPARTMENT BUSINESS UCU-MUC
Henry Omache Ogachi

