

**THE RELEVANCE OF REGULATION AND SUPERVISION ON BANK
PERFORMANCE: A CASE OF STANBIC BANK MUKONO**

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S21B05/139

**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF A DEGREE OF BACHELOR
OF BUSINESS ADMINISTRATION OF UGANDA CHRISTIAN UNIVERSITY**

September, 2024




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DECLARATION

I **KULE ERISA**, declare this research report is original and is as a result of my personal efforts and the best of my knowledge and has never been submitted to any higher institutions of learning for the award of any qualification.

Sign.....

Date.....11/09/2024

APPROVAL

The Research titled “THE RELEVANCE OF REGULATION AND SUPERVISION ON BANK PERFORMANCE: A CASE STUDY OF STANBIC BANK MUKONO” has been submitted by KULE ERISA for examination with my approval and is ready for presentation to the school of Business for Award of a Bachelor’s Degree in Business Administration of Uganda Christian University.

Signature..........

Date..........

MR. DUNCAN TUMUHAMYÉ
SUPERVISOR

DEDICATION

I dedicate this research report to my beloved parents who worked so hard to support me financially, all family members, and my lecturers towards the attainment of my bachelor's degree and above all the almighty God who is the provider of knowledge, wisdom, health, on the gift of life. May god bless you all abundantly.

ACKNOWLEDGEMENT

I thank the almighty God for making it possible for me to complete this research work.

Special thanks to him for the knowledge, wisdom, courage and determination he has granted me.

Special appreciation to my academic supervisor **TUMUHAMYE DUNCAN** for his continuous mentorship and guidance during the course of my research reports. He really inspired, motivated and assisted me during the process of this work.

Father appreciation to all managers bank tellers from Stanbic bank Mukono brunch for their support in providing me with the data for the accomplishment of this report. Also, to respondent who sacrificed their time in giving me relevant information that backed up my research.

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ABSTRACT

The specific objectives of this study want to examine to examine the need of capital adequacy requirement towards bank performance, asses the role of supervisory review towards bank performance, and find out the role of reserve requirement in enhancing bank performance.

This study adopted a descriptive survey approach using data collected from all employees of Stanbic bank, Mukono. Data were analysed using descriptive and inferential statistics from IBM SPSS statistics 20. A positive relationship was found between relevance of regulation and bank supervision. The study identified the major challenges faced by banks in implementing strategies and achieving their objectives as, inefficient processes, failure to adapt to change and poor communication. This study was unable to generalize results because it was limited to a commercial bank in Uganda. There is a need for closer collaboration between banks and external regulatory bodies considering the relevance of regulation and supervision on banks so as to improve communication. From this study, continuous supervision is needed in place to ensure that banks comply with regulations. There is a need to maintain and improve the regulatory and supervisory frameworks.

CHAPTER ONE

1.1 BACKGROUND.

As Barth, James, Gerard and Ross (2006) stated, banking industry is more subject to rules and supervision than other industries throughout the world, as Banks play a key role in the economy and the regulators want to ensure they operate safely and fairly. As a result, there are many laws and regulators want to ensure they operate safely and fairly. If we understand why the government regulation is in place, we are able and clearly see that the market and economy are working better and more efficiently as well as preventing negative effects from spreading and causing harm. This simply means that the government has a role to play in helping the economy function smoothly and preventing problems from getting worse and worse. But if we have it that the government intervention is driven by political and electoral interests, rather than by the desire to address market negligence, then it is clearly true of expecting the worst thus expecting a positive or negative implication. In addition to statutory regulatory provisions, the banking sector has been subject to widespread norms, customs and codes of conduct that affect people's attitudes, behaviours and access to resources and markets, which has a led to efficient financial system regarded as a necessary pre-condition for higher growth.

Corporate governance has emerged as a prominent topic of debate, particularly within the banking industry, owing to the consequences of the recent global financial crisis. The 2007 American subprime mortgage crisis not only impacted the US economy, but also precipitated a worldwide financial crisis and market turmoil. This event has significantly drawn attention to the supervisory and regulatory landscape. Bank regulation and oversight define capital requirements, set entry standards for the banking market, establish guidelines for acceptable ownership structures, and provide operational guidelines for the industry. In banks, the board

of directors and other regulatory bodies for financial institutions are tasked with implementing these rules.

Due to the global financial crisis, bank regulators are sat down under considering to write the bank regulations however the implementation require hard steps basing on each country's proposed plan of which could cause different impacts on bank performances depending on institutional context from which banks operate. Furthermore, the information obtained through observation and documentation of certain behaviour is not leading to a firm conclusion about the impact of regulatory and supervisory policies on bank performance. Demirguc-Kunt and Detragiache, 2002; Beck et al., 2006; Chortareas et al., 2012, found that processes which ensure robust financial system and supports sustainable growth were positively linked to the performance and the stability of banks. however, superiors may cause a negative influence on the performance of banks. Superiors could practice their own powers to give advantage to favoured constituents, and extract bribes (Shleifer and Vishny, 1998; Djankov et al., 2002; Quintyn and Taylor, 2002 and Levine, 2011). However, according to Barth et al. (2001), there are several reasons with respect to the impact of regulatory restrictions on bank performance.

Banking regulations are designed to protect consumers by requiring banks to maintain sufficient capital, disclose inherent business risks and implement robust risk management practices. Additionally, these regulations aim to prevent clients from being subjected to unfair or deceptive tactics, and ensure that clients have access to information regarding their rights and options. The legal framework and guiding principles of a nation establish the roles and responsibilities of the banking and financial sectors, as well as their regulatory agencies. This includes setting guidelines for the entry and exit of financial institutions, define the business activities and products, and establishing standards for the safe and reliable operation of the sector. The banking industry is subject to a higher level of risk due to the rapid developments in international financial markets, the globalization of financial flows and technological advancements.

In recent decades, the financial system has gradually evolved into a global interconnected network, as evidenced by the widespread presence of offshore banking across both advanced and emerging economies (Barth et al., 2003) (Dass,2006). Banks occupy a crucial position in maintaining the financial well-being of nations. Moreover, the essential growth and progress of the financial industry in numerous countries relies on an appropriate regulatory and supervisory framework (Reinman, 2015).

Over the past half century, the financial sector has emerged as one of the most digitized, globalised, and highly regulated domains within the global economy.

1.2 PROBLEM STATEMENT.

Banks play an important role in fostering economic development through extending credit, giving chance to households to find a way of using little capital from within and outside the country. Banks have reached to a point of time where, individual, company or country, cannot live without the other. This is because of their role in each step of the way and their role in government development policy through monetary actions. The business of banking has several aspects of which if not properly managed there are high chances of instability in the banking systems. The central bank is a regulatory body that oversees almost all banks in almost all regardless of their varies from country to country (Larson, 2011).

In the Ugandan banking business, the central bank issues circulars and directives which are assumed to maintain stable rate of price and exchange, foster a healthy financial system and it also undertakes such other related activities as are conducive to rapid economic development of the country .however with little regulation and supervision commercial banks tend to deviate towards low reserve requirement, customer dissatisfaction hence need for regulation and supervision.it is for the above problem that there is need to carry out the study on the relevance of regulation and supervision on the performance of banks.

1.3 GENERAL OBJECTIVE.

To assess the relevance of regulation and supervision on bank performance: a case of Stanbic Bank Mukono.

1.3.1 Specific objectives

- To examine the need for capital adequacy requirement towards bank performance.
- To assess the role of supervisory review towards bank performance.
- To find out the role of reserve requirement in enhancing bank performance.

1.4 Research questions

- What is the need for capital adequacy towards bank performance?
- What is the role of supervisory review towards bank performance?
- What is the role of reserve requirement in enhancing bank performance?

1.5 Significance of the study.

The study is believed to have the following significances.

1. Help the commercial banks to effectively and efficiently realize and utilize the opportunities that are entailed in the banking regulation.
2. Help the commercial banks to deal with the problems arising from the banking regulations.
3. Get Child some ideas for the regulatory body so that to achieve both its supervisory role without adversely affecting the growth and performance of commercial banks and serve as a reference material for those who are interested to conduct further study in the area.

1.6 Justification of the study

The issues of bank regulation and supervision have been an area of major concern for quite a long time, both globally and nationally. Many conducted studies, especially at a national level, have been done largely on macro business areas, ignoring the large perspective of the banking sectors. Despite these, various studies that have been done, bank regulation and supervision has not been adjusted to accordingly with swiftness. This study, however, wanted to carry out in-depth quantitative research on bank regulations and supervision, and data retrieved would be of paramount importance. The findings from this study were expected to have educational values-in a way that they will enable the participants/target population to get extra knowledge on the topic under investigation; the findings can as well be used by other researchers to conduct their own research at Uganda Christian University, Mukono, and in different learning institutions to broaden their knowledge on the issue at hand. These findings would be of practical and developmental values- which will benefit policy makers and equally concerned organizations to inform decisions in the formation or implementation of automation in warehouse management

1.7 Scope of the Study

1.7.1 Content scope

One may, therefore only limit the study to find out the relevance of regulation and supervision on bank performance. A case of Stanbic Bank Uganda

1.7.2 Time scope

I aim at compiling the data and information on the literature within the period of 15 years' 2010-2024. The study will be carried out for a period of four months from June to September 2024.

1.8 Definition of key terms.

1.8 Definition of key terms.

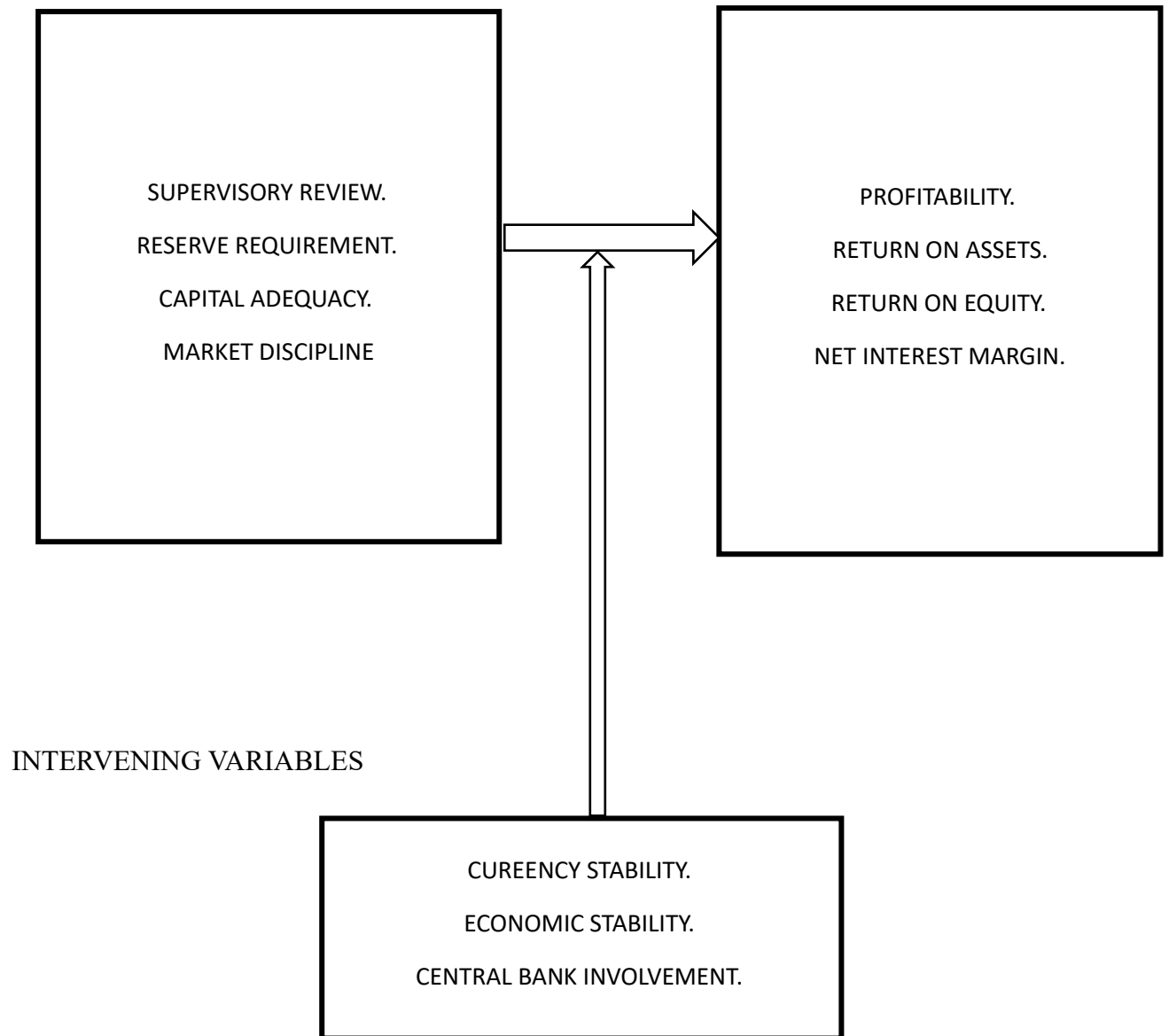
Bank regulations- These are forms of financial regulations that subject banks to certain actions, guidelines, and restrictions to be followed in the process. Banks protect consumers and ensure that stability in the financial system is maintained as well as prevent financial crimes.

Bank supervision- Bank supervision is overseeing and ensuring the safety and soundness of the banking system as a whole.

1.9 Conceptual framework.

Regulation and supervision

Bank performance



CHAPTER TWO

LITERATURE REVIEW

2.0. INTRODUCTION.

This chapter moves to give secondary data that has been studied by scholars, it will include journal, research paper and other documentation about the topic of the study as guided by the objectives

2.1 THEORITICAL FRAMEWORK.

Agency theory, first described by Jensen and Meckling (1976), is one basic framework for explaining the relationship between principals (owners or shareholders) and agents (managers) within a firm. The theory explores how principals can ensure that the agents will act in the best interests of the principals since agents may have different incentives. An agency relationship arises when one party, the principal, delegates work to another person, the agent, to perform on his behalf and shares decision-making. In the context of banks, the shareholders or principals delegate the running of the bank to executives and managers, who are agents. Agency theory has a special relevance for the banking sector given the high stakes associated with banking operations. Generally, regulation and supervision are mechanisms put in place to minimize agency problems. Bank supervisory bodies monitor banks regarding their compliance with the law and regulations as a means of aligning managerial actions with the broader interests of financial stability and shareholder value. Alignment of Incentives: Various regulations may have provisions that align the manager's incentive compatible with that of the shareholders. For example, a capital requirement ensures that managers can operate with a cushion to absorb losses. This improves the security of the shareholder's investments and enhances bank stability. This information is obtained from Allen & Carletti (2010). Disclosure and Transparency: The various disclosure requirements of regulatory institutions can reduce asymmetric information problems that exist between the manager and the shareholder. The theory postulates that the better the information available regarding bank activities and bank performance to the shareholders, the more informed are the decisions made and the more

efficacious is the disciplining role played by the managers. Henceforth, the above theory will guide this research paper.

2.2 THE NEED FOR CAPITAL ADEQUACY REQUIREMENT TOWARDS BANK PERFORMANCE.

Capital adequacy requirements are regulatory stipulations on the amount of capital a bank is supposed to hold against the risk-weighted assets. These are highlighted for the purpose of enabling banks to absorb loss and protect depositors. This literature review probes into the relationship between capital adequacy requirements and bank performance for profitability and risk management.

Capital adequacy requirements are an important factor in risk management. Furlong and Keeley's 1989 proof indeed showed that higher capital requirements reduce the risk of banks failing by providing a cushion to absorb any potential losses. Indeed, this view has been affirmed in a study by Barth, Caprio, and Levine 2004, where it has been established that with a higher capital base, banks tend to hold less risky activities. In addition, Demirgüç-Kunt, Detragiache, and Merrouche in 2013 estimated that banks with higher capital buffers bounced back from financial crises rapidly. This study of financial crisis therefore showed that a bank which could avail the cash needed to meet its' short and long-term obligation faced fewer difficulties and required lesser government intervention; therefore underpinning the importance of capital base for financial stability. The main goal of capital adequacy requirements is financial stability. Large capital buffers contribute to the general stability in the banking system through a reduction in the probability of bank runs and systemic crises. According to Diamond and Rajan (2000), it is where capital adequacy prevents liquidity crises since the banks can be able to meet withdrawal demands with available capital. While capital adequacy requirements are held up in their entirety, even when they have flaws. The first concern that excessively high capital bases can be forced on lending and the growth of the economy. Moreover, Admati and Hellwig (2013) supported that capital requirements alone cannot deal with all types of risks. They advocated for a regulatory regime that would consist of sound supervision, together with stress testing, as a complement to capital adequacy standards. Therefore, it has a difficult relationship but usually positive relationship between capital buffers and bank performance. Higher capital adequacy means improvement in risk

management and more financial stability though may also have a number of challenges impelled such as a compelled lending. The general evidence supports the rationale for capital adequacy requirements as an integral part of banking regulation to ensure the resilience and stability of the banking sector.

2.3 THE ROLE OF SUPERVISORY REVIEW TOWARDS BANK PERFORMANCE.

Supervisory review forms part of the general regulatory regime established by the Basel Committee on Banking Supervision. Under the Basel Accords, specifically Basel II and Basel III, supervisory review was guided through the Pillar 2 framework. Pillar 2 requires that banks have adequate procedures for evaluating their capital adequacy in light of their risk profile and ensures that supervisors evaluate how best banks can reappraise their capital needs in light of risks (BCBS, 2006; BCBS, 2011). The face of the relationship between supervisory review and bank profitability is many-sided. They also established that effective supervisory review tends to raise profitability by practicing a sound risk management practice. Barth, Caprio, and Levine, 2004, established that countries with supervisory frameworks have more profitable banking sectors. The improved oversight ensures that banks maintain careful lending and investment processes, thereby helping to contribute to stable and sustainable profitability. This is, however tempered by a call that overly stringent supervision could raise compliance costs sufficiently to reduce profitability. Beck, Demirgüç-Kunt, and Levine, 2006 opine that even as effective supervision boosts profitability, excessive regulatory burdens can dampen profitability due to decreased returns. Good supervisory review significantly enhances risk management in banks. Supervisors go over the risk management frameworks of banks to ensure that they are robust and comprehensive. This helps identify and reduce the risks before these problems become issues, For instance, Laeven and Levine illustrated that better supervisory practices are associated with lower risk-taking activities by banks, due to which Nier and Baumann in 2006 established that, generally banks dealing under watchful supervisory regimes usually have lower non-performing loans and higher loan loss provisions. It means that supervisory review strengthens the banks' capability to handle credit risk in an effective manner. Supervisory review is indispensable for maintaining financial stability. Supervisors, through regular and in-depth reviews, should be capable of identifying emergent risks and vulnerabilities in banks and the overall financial system, as a means of warding off banking crises and ensuring stability. In this respect, the FSB has also emphasized supervisory review in systemic risk

oversight. Together with stress testing, best supervisory practices include, the macroprudential oversight helps identify and mitigate systemic risks that may lead to widespread financial fragility. FSB, 2011.

2.3.1 Supervisory review tools

On-site examination is still one of the major tools in supervisory review. Supervisors review the health of the bank in terms of capital base, asset quality, earnings, liquidity-CAMELS. The depth of these reviews helps to ensure that banks are conducted in a safe and sound manner.

Off-site monitoring involves the analysis of financial reports and other information submitted to regulatory authorities. By monitoring, supervisors can identify signs of potential problems at an early stage in time and can take corrective actions before their problems become major ones.

Stress Testing: Stress testing is the significant facet of supervisory review and has been given much attention under Basel III. Stress tests determine the flexibility of banks to the unfavorability of the economy. This, in return assists supervisors as well as banks to identify potential vulnerabilities and take necessary steps to enhance their financial positions.

2.4 THE ROLE OF RESERVE REQUIREMENT IN ENHANCING BANK PERFORMANCE.

It is a regulatory requirement whereby banks are obliged to hold specific fractions of their deposit liabilities either in cash or deposits with the central bank; basically, the requirements ensure enough liquidity and the stability necessary to control money supply.

This literature review investigates the role that this reserve requirement can play in the improvement of bank performance related to their profitability, liquidity management, and general financial stability.

The requirements for reserves are some of the important tools in monetary policy and liquidity management. Based on monetary theory, the reserve requirements need to have an impact on the level at which a bank can lend funds and, consequently, on the money supply and general economic activities. If a given fraction of deposits is held in reserve, then the banks will be well positioned to face withdrawal demands, hence assuring liquidity and stability.

The relation between bank profitability and the reserve requirements is complex. While, on one hand, the reserve requirements may reduce the available funds for lending, hence banks' income from interest-bearing assets could be restricted, higher reserve requirements lower net interest margin, since banks have fewer capitals to generate interest income. However, on the other hand, the reserve requirements can also improve the profitability by reducing the risks associated with liquidity and hence ensuring stability. Kashyap, Rajan, and Stein (2002) realized that well-reserved banks were less likely to suffer debilitating liquidity crises characterized by an expensive bank run or asset sales at depressed prices. In this respect, the reserve requirements reinforce the long-term profitability and stability of the banks. Empirical studies also prove this notion. For example, Berger and Bouwman, 2009 established that banks with higher liquidity reserves are better capable of standing up to financial crises and allowing lending activities to continue, which had preserved banks' performance and contributed to stability economic conditions. Wong and Fong, 2011, also showed in their study that a bank with higher reserve requirements would face less risk of liquidity shortage and allow for more risk management and continued stability of its operations. Requirements are vital in their potential to foster financial stability. The regulators allow banks to keep a fraction of the deposits as a reserve, overcoming excessive risking and make sure that banks build a buffer against loss. This contributes to aggregate financial system stability (Allen & Gale, 2004). Evidence from many aspects of financial crises has underlined the importance of requirements for reserves. In this regard, for example, the countries which had strict reserve requirements during the financial crisis in 2007-2008 witnessed fewer bank failures and milder economic recessions

when compared to those that had no such reserve requirements. Barth et al. (2012) maintain that the "reserves requirements participate in a crucial role in making banks and overall financial system more resilient"

2.4.1 Mechanisms and Implications

Central Bank Policies

Reserve requirements are among the monetary policy tools through which central banks impact liquidity conditions and control money supply. Central banks change the level of reserve requirements to stimulate or restrain economic activities. As a case in point, the reduction of the required reserve ratio increases money supply and is considered to be loan-promoting, while an increase in the required reserve ratio is anti-inflationary in that it decreases money supply. (Mishkin, 2016) Bank Behaviour The immediate effect of the reserve requirements is that banks react to the same through adjustments in liquidity management and lending. High reserve requirements are seen to result in the building-up of liquid assets by banks so as to comply with the requirements and reduce their interest income from loans accordingly. Banks also benefit on account of the fact that the risk of running short of liquidity is reduced, and with these, the financial distress costs associated with them. The reserve requirements are of immense importance for bringing better performance of banks by improving their profitability and liquidity management and maintaining financial stability. While they may reduce the funds available for lending, the risk mitigation and stability benefits outweigh such a drawback. Effective banking regulation in respect to reserve requirements calls, together with other regulatory measures, for resiliency and stability in the banking sector.

2.5 RESEARCH GAPS.

While there is a great volume of literature on the impact of regulation and supervision on bank performance, most studies are cross-sectional and prevalingly focused on short-term effects. Less noticed and thus considered in further need of longitudinal research are studies on the long-term impact of regulatory changes on bank performance and stability. Matters are rather different when looking across countries and regions, given the somewhat regulatory environment. There is a need for more comparative analyses that establish how bank performance varies with variations in regulatory frameworks and whether some regulatory practices are universally effective or context-specific. In fact, this is rarely the case, since the nature of regulatory frameworks is dynamic and in

constant change. This thus calls for a research focus on how banks adapt to continuous regulatory changes and what performance and risk management implications this might possibly entail.

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On-site examination is still one of the major tools in supervisory review. Supervisors review the health of the bank in terms of capital base, asset quality, earnings, liquidity-CAMELS. The depth of these reviews helps to ensure that banks are conducted in a safe and sound manner.

Off-site monitoring involves the analysis of financial reports and other information submitted to regulatory authorities. By monitoring, supervisors can identify signs of potential problems at an early stage in time and can take corrective actions before their problems become major ones.

Stress Testing: Stress testing is the significant facet of supervisory review and has been given much attention under Basel III. Stress tests determine the flexibility of banks to the unfavorability of the economy. This, in return assists supervisors as well as banks to identify potential vulnerabilities and take necessary steps to enhance their financial positions.

2.4 THE ROLE OF RESERVE REQUIREMENT IN ENHANCING BANK PERFORMANCE.

It is a regulatory requirement whereby banks are obliged to hold specific fractions of their deposit liabilities either in cash or deposits with the central bank; basically, the requirements ensure enough liquidity and the stability necessary to control money supply. This literature review investigates the role that this reserve requirement can play in the improvement of bank performance related to their profitability, liquidity management, and general financial stability.

The requirements for reserves are some of the important tools in monetary policy and liquidity management. Based on monetary theory, the reserve requirements need to have an impact on the level at which a bank can lend funds and, consequently, on the money supply and general economic activities. If a given fraction of deposits is held in reserve, then the banks will be well positioned to face withdrawal demands, hence assuring liquidity and stability.

The relation between bank profitability and the reserve requirements is complex. While, on one hand, the reserve requirements may reduce the available funds for lending, hence banks' income from interest-bearing assets could be restricted, higher reserve requirements lower net interest margin, since banks have fewer capitals to generate interest income. However, on the other hand, the reserve requirements can also improve the profitability by reducing the risks associated with liquidity and hence ensuring stability.

Kashyap, Rajan, and Stein (2002) realized that well-reserved banks were less likely to suffer debilitating liquidity crises characterized by an expensive bank run or asset sales at depressed prices. In this respect, the reserve requirements reinforce the long-term profitability and stability of the banks. Empirical studies also prove this notion. For example, Berger and Bouwman, 2009 established that banks with higher liquidity reserves are better capable of standing up to financial crises and allowing lending activities to continue, which had preserved banks' performance and contributed to stability economic conditions. Wong and Fong, 2011, also showed in their study that a bank with higher reserve requirements would face less risk of liquidity shortage and allow for more risk management and continued stability of its operations. Requirements are vital in their potential to foster financial stability. The regulators allow banks to keep a fraction of the deposits as a reserve, overcoming excessive risking and make sure that banks build a buffer against loss. This contributes to aggregate financial system stability (Allen & Gale, 2004). Evidence from many aspects of financial crises has underlined the importance of requirements for reserves. In this regard, for example, the countries which had strict reserve requirements during the financial crisis in 2007-2008 witnessed fewer bank failures and milder economic recessions when compared to those that had no such reserve requirements. Barth et al. (2012) maintain that the "reserves requirements participate in a crucial role in making banks and overall financial system more resilient"

2.4.1 Mechanisms and Implications

Central Bank Policies

Reserve requirements are among the monetary policy tools through which central banks impact liquidity conditions and control money supply. Central banks change the level of reserve requirements to stimulate or restrain economic activities. As a case in point, the reduction of the required reserve ratio increases money supply and is considered to be loan-promoting, while an increase in the required reserve ratio is anti-inflationary in that it decreases money supply. (Mishkin, 2016) Bank Behaviour The immediate effect of the reserve requirements is that banks react to the same through adjustments in liquidity management and lending. High reserve requirements are seen to result in the building-up of liquid assets by banks so as to comply with the requirements and reduce their interest income from loans accordingly. Banks also benefit on account of the fact that the risk of running short of liquidity is reduced, and with these, the financial distress costs associated with them.

The reserve requirements are of immense importance for bringing better performance of banks by improving their profitability and liquidity management and maintaining financial stability. While they may reduce the funds available for lending, the risk mitigation and stability benefits outweigh such a drawback. Effective banking regulation in respect to reserve requirements calls, together with other regulatory measures, for resiliency and stability in the banking sector.

2.5 RESEARCH GAPS.

While there is a great volume of literature on the impact of regulation and supervision on bank performance, most studies are cross-sectional and prevalently focused on short-term effects. Less noticed and thus considered in further need of longitudinal research are studies on the long-term impact of regulatory changes on bank performance and stability. Matters are rather different when looking across countries and regions, given the somewhat regulatory environment. There is a need for more comparative analyses that establish how bank performance varies with variations in regulatory frameworks and whether some regulatory practices are universally effective or context-specific.

In fact, this is rarely the case, since the nature of regulatory frameworks is dynamic and in constant change. This thus calls for a research focus on how banks adapt to continuous regulatory changes and what performance and risk management implications this might possibly entail.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter highlighted the research methodologies, study population, sample populations, sampling designs, study variables data collecting, sources of data and instrument administration as well as data processing and study limits.

3.1 Research designs

The research design adopted for this study was a cross-sectional descriptive research design in which data from respondents was collected just at one point in time without repetition from the representative population. This design was selected because it was economically significant in terms of time, according to Patrik & Ugo, 2019. This design was utilized because it assisted the researcher in the collection of information based on the data collected for a specific point in time. Through the use of the cross-sectional research design, more so, the research findings helped in getting rid of assumptions, hence replacing these with vivid data on the specific variables studied during the time period. This study was carried out using the mixed methods research approach where both the quantitative and qualitative approaches were used.

A quantitative approach was chosen for this study because it is a formal objective, systemic process in which numerical data are utilized to obtain information. Qualitative research approach was also use. Qualitative research approach was used because it helps in providing details about human behaviour, emotions and personality characters of the respondents plus in-depth analysis on the relationship between employee training and employee performance in HDLG Brink, 2008.

3.2 Study Area

Study Area My target population sample was Stanbic bank Mukono so that's where geographically my research study is going to take place.

3.3 Study population

3.3.1 The study population and sample size

A population according to Burns and Grove, 2001 is the group of people who possess the same identical characteristics or traits which the researcher wants to study. The sample size for Stanbic bank will be selected by the researcher based on the procedure outlined in Krejcie and Morgan's 1970 table for selecting sample size for a known population. The researcher used a study sample of 30 respondents out of the total population of 40 comprising top management, middle management, and line management as well as employees and their support staff at Stanbic bank Mukono. The listing of all supervisors and direct reports will be developed based on Krejcie and Morgan's recommendations

Table 1: Study population and sample size table

Departments /Directorates	Total Populations	Sample size
Top bank Management	5	2
Inspection & Quality Assurance	5	4
Human Resource Management	10	6
Bank customers	10	10
Department of Performance Management	10	8
Total	40	30

3.4 Sampling Strategy

3.4.1 Sampling techniques and procedure

Maximum variation sampling will involve seeking participants with variation in knowledge and experience of an interesting phenomenon, while a plan for maximum variation will also be used to facilitate the role of the researcher in locating key informants (Creswell and Plano Clark 2011). Because they are the targeted key informant group of respondents who have knowledge of the Bank issues relevant to the topic of the study. The goal is credibility, and not generalizability; therefore, simple random sampling, which uses small sample sizes, is a strategy that increases the credibility of a sample when the possible purposive sample is larger than one can manage (Patton, 2001). Selection of bank customers This sample will be used to select the Assistant of bank customers. Every unit of this population will have an equal chance of falling in the sample and hence the researcher will use this sampling strategy in his study.

3.5 Data collection methods

In this research work quantitative as well as qualitative techniques of data collection were adopted.

3.6 Data collection instruments

3.6.1 Questionnaire

The questionnaire was the tool mainly employed during the survey research to collect the data. In essence, it comprises standardized questions-also called items that connect to a pre-specified format used in picking up individual information about one or more specified topics. Interviews and questionnaires are sometimes used as if they were synonymous. In fact, the questionnaire mimics a particular kind of interview—an agreement in form—that the wording and order of the items on the instrument dictate the conversation. The questionnaire often is administered to all respondents of a survey in a uniform manner, or standard fashion. This questionnaire will be developed based on the objectives of the study and shall be generated based on guidelines provided by various scholars such as Kothari, 2005.

3.6.2 A Key Informants Guide

A list of questions that a researcher has when he / she conducts an interview is referred to as a "Key interview guide" McNamara, 2009.

Key informant interviews are a valuable qualitative research method that offers a great deal of depth and insight into specific areas of inquiry . These interviews usually consist of a group of 15-35 individuals who are selected because they have experienced or witnessed firsthand the thing being studied and can have a loose, conversational format Knut Kvale (1996) The openness of these interviews allows for the free flow of the sharing of ideas, information, and discussions as would happen in a conversation of peers. Key informant interviews are effective if planned and executed carefully. Qualitative research interviews ensure that the researcher gains an understanding of the subjective perspective of interviewees on a phenomenon rather than generating generalizable understanding of large populations. Interviewers should use a rough structure based upon a pre-researched list of discussion topics, allowing for open-ended questions and conversational flow. This is in contrast to the more rigid, systematically structured interview protocols, which allow scope for dialogue to be more natural and exploratory in nature. The key respondents will be interviewed at the bank headquarters using a design created by the researcher as an interview guide. The key respondents shall be questioned on issues regarding nudging them towards the provision of information to meet the objectives of the study and also probed them in order to retrieve more information in response to their answers.

3.7 Validity and reliability of quantitative research

Validity was conducted so as to ably know whether the questions have the capacity to capture the intended data. The researchers with expertise review the questions for capturing the intended response. A Content Validity Index shall be conducted to establish the validity of the research instrument. The researcher will use the following formula to establish the validity of the research instruments as seen below,

Content validity Index (CVI) = Relevant items by all judges as suitable

Total number of items judged.

3.8 Data management and analysis

3.8.1 Quantitative data

Raw data was coded, brought onto a computer, cleaned and edited to bring out scientific arguments identified and authenticated by statistical evidence. Descriptive statistics become easier to cross tabulate and present in a tabulated format accordingly. SPSS data will be further analyzed with the assistance of software programs such as MS Excel.

3.8.2 Qualitative data

Data were analyzed using thematic analysis in respect of the aims of the study. Main findings would be identified under major themes and connections were established. In addition, content analysis was also to be employed so that the presentation of data can ensure the researcher arrives at clear and meaningful conclusions.

3.9 Ethical considerations and procedure of gathering data

These are the ethical considerations that were put into thought by the researcher based on those raised by Callahan (1998):

The School of Business and Administration at Uganda Christian University Mukono will grant an ethical clearance.

Interviewees were advised that the study is a requirement for the researcher's bachelor's degree and that the bank officials may use the findings to enhance their performance. The researcher explained how the privacy and confidentiality issues should be handled and will be aware of how information is kept safe from people who shouldn't have access to it, including whether or not and how participants should be informed in the case of unexpected research results which they are not supposed to know.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION OF THE FINDINGS

4.0 Introduction

This chapter consists of data presentation, analysis and interpretation of the findings on the themes of the study

4.1 Descriptive analysis

Table 4.1 shows the gender of the respondents

Gender	Frequency	Percentage
Male	17	61%
female	13	39%
Total	30	100

Source: field data (2024)

The findings from the study show that 61% of the respondents were male, 40% of the respondents were female. The findings from the study clearly show that there are more men employed in Stanbic Bank Mukono.

Table 4. 2 shows the age bracket of the respondents

Gender	Frequency	Percentage
20-30 years	13	45%
31-40 years	09	31.3%
41 years and above	08	23.7%
Total	30	100%

Source: field data (2024)

The findings from the reveal that 40% of the respondents were in the age bracket of 31-40 years, 33.3% of the respondents were in the age bracket 20-30 years, 26.6% of the respondents were 41 years and above. The findings from the study imply that the average age of respondents in century bottling company is 36 years.

Table 4.3 shows the education level of the respondents

Education level	Frequency	Percentage
Postgraduate	07	21.6%
Degree	09	35.4%
Diploma	14	43%
Total	30	100%

Source: field data (2024)

The findings from the study show that 35.4% of the respondents were degree holders, 21.6% of the respondents were postgraduate holders, 43% of the respondents were diploma holders, the findings from the study imply of the respondents from Stanbic bank are educated.

4.2 The need for capital adequacy requirement towards bank performance.

Table 4.6 The need for capital adequacy requirement towards bank performance

	Statement	SA	A	N	D	SD	St De	Mean
1	Capital adequacy requirement measures bank's capital to its risk-weighted assets.	53.9%	47.1 %	0%	0%	0%	0.505	1.48
2	Common equity and retained earnings is the most fundamental measure of a bank's financial strength.	32.6%	52%	15.4%	0%	0%	0.687	1.81
3	Capital adequacy requirement includes supplementary capital such as subordinated debt, hybrid instruments, and other instruments that can absorb losses in the event of a crisis	59.8%	0%	0%	40.2 %	0%	0.503	1.54
4	Capital Conservation Buffer is intended to ensure that banks can maintain their capital ratios during periods of economic stress.	36.5%	50.1 %	13.4%	0%	0%	1.007	1.92

5	Liquidity Coverage Ratio requires banks to hold enough high-quality liquid assets to cover short-term liabilities and ensure they can withstand a liquidity crisis.	69.7%	30.3 %	0%	0%	0%	0.466	1.31
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Source: field data (2024)

The findings from the study reveal that 53.9% strongly agreed that Capital adequacy requirement measures bank’s capital to its risk-weighted assets 47.1% of the respondents also agreed with the statement and however, the same statement and the above table revealed that the *standard deviation* is 0.05 and the *mean* is 1.48.

The findings from the study reveal that 40.2% of the respondents agreed Capital adequacy requirement includes supplementary capital such as subordinated debt, hybrid instruments, and other instruments that can absorb losses in the event of a crisis. 59.8% of the respondents also strongly agreed with the statement, 13.4% of the respondents were not sure about the statement. The above table revealed that the *standard deviation* is 0.687 and the *mean* is 1.81.

The findings of the study also reveal that 59.8% of the strongly agreed that Capital adequacy requirement includes supplementary capital such as subordinated debt, hybrid instruments, and other instruments that can absorb losses in the event of crisis 40.2% of the respondents disagreed with the statement and however, the same statement and the above table revealed that the *standard deviation* is 0.503 and the *mean* is 1.54.

The findings from the study further reveal that 50.1% of the respondents agreed that Capital Conservation Buffer is intended to ensure that banks can maintain their capital ratios during periods of economic stress 13.4% of the respondents were not sure about the statement and however, the same statement and the above table revealed that the *standard deviation* is 1.007 and the *mean* is 1.92.

The study further showed that 69.7% of the respondents strongly agreed that Liquidity Coverage Ratio requires banks to hold enough high-quality liquid assets to cover short-term liabilities and ensure they can withstand a liquidity crisis.30.3% of the respondents also agreed with the statement. However, the same statement and the above table revealed that the *standard deviation* is 0.466 and the *mean* is 1.32

4.3 The role of supervisory review towards bank performance

Table 4.7 The role of supervisory review towards bank performance

Source: field data (2024)

	Statement	SA	A	N	D	SD	St De	Mean
1	Supervisors review the adequacy of risk mitigation strategies and internal controls, ensuring that banks have appropriate measures in place to handle identified risks.	57.2%	42.8 %	0%	0%	0%	0.499	1.42
2	Supervisory review ensures banks maintain sufficient capital relative to their risk-weighted assets, complying with capital adequacy requirements	25.2%	47.9 %	3.8%	23.1 %	0%	1.096	2.23
3	Regular supervisory reviews help banks adhere to regulatory requirements, avoiding fines and penalties that could affect performance	26.3%	65.9 %	0%	7.8%	0%	0.758	1.88
4	Supervisory bodies monitor and manage systemic risks to ensure that problems in one bank do not propagate through the financial system, enhancing overall stability.	30%	70%	0%	0%	0%	0.471	1.68
5	Supervisors review the governance structures and practices of banks, ensuring that there is effective oversight by the board of directors and senior management.	76.9%	23.1 %	0%	0%	0%	0.425	1.23

The findings from the study reveal that 57.2% of the respondents strongly agreed that Supervisors review the adequacy of risk mitigation strategies and internal controls, ensuring that banks have appropriate measures in place to handle identified risks, 43.8% of the respondents also agreed with the statement and however, the same statement and the above table revealed that the *standard deviation* is 0.499 and the *mean* is 1.42.

The study reveals that 47.9% of the respondents agreed that Supervisory review ensures banks keep maintain sufficient capital relative to their risk-weighted assets, complying with capital adequacy requirements. 25.2% of the respondents also strongly agreed with the statement and

however, the same statement and the above table revealed that the *standard deviation* is 1.096 and the *mean* is 2.23.

The findings of the study reveal that 65.9% of the respondents agreed that Regular supervisory reviews help banks adhere to regulatory requirements, avoiding fines and penalties that could affect performance. 26.3% of the respondents strongly agreed with the statement, 7.8% of the respondents disagreed with the statement and however, the same statement and the above table revealed that the *standard deviation* is 0.758 and the *mean* is 1.88.

The study further revealed that 70% of the respondents agreed that Supervisory bodies monitor and manage systemic risks to ensure that problems in one bank do not propagate through the financial system, enhancing overall stability 30% of the respondents also agreed with the statement and however, the same statement and the above table revealed that the *standard deviation* is 0.471 and the *mean* is 1.68.

The study further revealed that 76.9% of the respondents strongly agreed that Supervisors review the governance structures and practices of banks, ensuring that there is effective oversight by the board of directors and senior management. 23.1% of the respondents agreed with the statement and however, the same statement and the above table revealed that the *standard deviation* is 0.425 and the *mean* is 1.23.

4.4 The role of reserve requirement in enhancing bank performance

Table 4.8 shows the role of reserve requirement in enhancing bank performance

	Statement	SA	A	N	D	SD	St De	Mean
1	Adequate reserves help banks manage unexpected spikes in withdrawals or other liquidity needs, contributing to smoother operations and reduced financial stress.	45.2%	54.8 %	0%	0%	0%	0.503	1.54
2	Reserve acts as a buffer against losses, providing a cushion that can absorb shocks and help banks weather economic downturns.	58.8%	41.2 %	0%	0%	0%	0.499	1.42

3	Reserve requirements are a tool for central banks to implement monetary policy. Changes in reserve requirements can influence the overall money supply and economic activity, impacting inflation and growth	50%	50%	0%	0%	0%	0.505	1.50
4	By maintaining adequate reserves, banks can build confidence among depositors and investors, contributing to a positive perception of their financial health	71.2	28.8 %	0%	0%	0%	0.448	1.27
5	It promotes operational efficiency by preventing the need for costly emergency liquidity solutions and reducing the potential for financial instability.	61.5%	38.5 %	0%	0%	0%	0.491	1.38

Source: field data (2024)

The study revealed that 54.8% of the respondents agreed that Adequate reserves help banks manage unexpected spikes in withdrawals or other liquidity needs, contributing to smoother operations and reduced financial stress 45.2% of the respondents also strongly agreed with the statement and however, the same statement and the above table revealed that the *standard deviation* is 0.05 and the *mean* is 1.54,

The study also revealed that 58.8% of the respondents strongly agreed that Reserve acts as a buffer against losses, providing a cushion that can absorb shocks and help banks weather economic downturns. 41.2% of the respondents also agreed with the statement and however, the same statement and the above table revealed that the *standard deviation* is 0.499 and the *mean* is 1.42.

The study also revealed that 50% of the respondents strongly agreed and agreed that Reserve requirements are a tool for central banks to implement monetary policy. Changes in reserve requirements can influence the overall money supply and economic activity, impacting inflation and growth however; the same statement and the above table revealed that the *standard deviation* is 0.505 and the *mean* is 1.50.

The study revealed that 71.2% of the respondents strongly agreed that by maintaining adequate reserves, banks can build confidence among depositors and investors, contributing to a positive

perception of their financial health. 28.8% of the respondents also agreed with the statement and however, the same statement and the above table revealed that the *standard deviation* is 0.448 and the *mean* is 1.27.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

The relevance of regulation and supervision on bank performance: a case of Stanbic bank Mukono.

This chapter presents summary of the findings, conclusion and recommendations.

5.1 Summary of the findings

Capital adequacy requirements mean the regulations about how much capital a bank must hold in relation to its risk-weighted assets. The requirements are designed to absorb losses and protect depositors while maintaining financial stability. This finding was, therefore, consistent with the agency theory discussed by Jensen and Meckling (1976) in that capital adequacy requirements may reduce agency problems by linking the interest of the managers with those of the shareholders. With larger capital buffers, the risk of insolvency and hence the possibility of managers' undesirable-to-shareholders-value excessive risk taking are lower. The findings of the study further portrayed that capital adequacy requirements are considered crucial in managing risk.

This was concurrent to the study by Furlong and Keeley (1989) who testified that higher capital requirements decrease the likelihood of bank failures because they provide a buffer in instances of losses. This finding has been supported by Barth, Caprio, and Levine (2004) who showed that banks with higher capital ratios tend to engage in less risky activities, hence reducing their overall risk profile.

5.1.2 The role of supervisory review towards bank performance

It was found that effective supervisory review significantly aided in enhancing the risk management practices of banks. The supervisors reviewed the risk management framework within banks to ensure this framework was robust and comprehensive. This helped identify and mitigate risks before they became big issues. In this respect, it was also established in

the research by Laeven and Levine 2009 that strong supervisory practices are associated with low risk-taking behaviours on the part of banks.

Indeed, Nier and Baumann (2006) indicated that banks operating under supervisory approaches that are more intensive tend to report lower non-performing loan levels and higher loan loss reserves, suggesting thereby that supervisory review bolsters the bank's ability to manage credit risk effectively.

The findings of the study went ahead to recommend that Supervisory review is essential in achieving financial stability. This is because through routine and well-detailed reviews, supervisors are able to identify emerging risks and vulnerabilities within banks and the general financial system. Such prudent steps help countries evade banking crises and improve their stability. In this respect, Demirgüç-Kunt and Detragiache 2002 established that countries that had effective supervisory mechanisms experienced fewer banking crises and therefore proved the significance of the supervisory review in ensuring financial stability.

5.1.3 To find out the role of reserve requirement in enhancing bank performance.

The findings of the study indicated that Reserve requirements are a basic instrument in monetary policy and liquidity management. In sum, the reserve requirement represents the leverage the bank has on account of deposits. Money supply and all round economic activities are affected by the setting of reserve requirements since it can affect the level at which banks lend money. Holding a portion of deposits as reserves allows the banks to meet withdrawal demands, thereby maintaining liquidity and stability. These findings were in line with the research of Friedman & Schwartz, 1963.

The findings of this study only managed to cement the relationship between the two, reserve requirements and bank profitability, as a complex one. On one hand, reserve requirements can reduce banks' loanable funds, thereby reducing their income generated from interest-bearing assets. Consistent with the findings of this study Angbazo (1997) found that higher reserve requirements are synonymous with lower net interest margins because banks have less capital available to earn interest income. On the other hand, it may also increase profitability because reserve requirements reduce liquidity risks and provide stability. As indicated by Kashyap, Rajan, and Stein (2002), banks that have sufficient reserves are less likely to suffer from liquidity crises, which may result in very costly bank runs, subsequent to forced asset sales at depressed prices. In this regard, such risks reduce the chances of

bankers earning long-term profits and create stability in the banking business. Finally, the results of this study indicated that good liquidity management could be one of the key elements in bank performance and that a reserve requirement significantly plays a crucial role in this area.

The prescription by Diamond and Dybvig (1983) indicated how reserve requirements could prevent bank runs due to the fact that banks could thereby be guaranteed to have enough liquidity to meet withdrawal demands. This is a very important measure during periods of financial stress, when the demands for withdrawal become very unpredictable and can be very high.

5.3 Conclusions

The capital adequacy requirements do play a vital role in the stability and performance of banks. The requirements ensure that banks hold a minimum level of capital against their risk-weighted assets. The requirements have multidimensional roles that enhance bank performance by: Ensuring that banks hold adequate capital buffers to protect against insolvency and financial distress risks. They force them to absorb losses without operational discontinuation, hence systemic stability. Sufficient capital creates confidence for depositors, investors, and other stakeholders. A form of trust that is crucial in maintaining a stable depositor base, while minimizing the likelihood of bank runs that destabilize the financial system. Capital adequacy requirements ensure a sensible approach to risk management by banks. These requirements, therefore, compel banks to judge their risk exposures and maintain prudent lending standards, consequently contributing to their operational efficiency and strength. Banks that are adequately capitalized can sustain economic shocks and continue to lend during downturns, a pre-requisite for stability and growth in economies. It aims at protection and improving bank performance through close supervision and regulation. Through supervisory reviews, the risk management structures of banks are appraised to ensure that risks are correctly identified, measured, and mitigated for their different types. This oversight enhances the quality of risk management and operational practices, thereby contributing to the overall performance. Supervisors impose capital adequacy and liquidity requirements on banks with the view that banks will have sufficient buffers to withstand periods of financial stress. It enhances the capacity of banks to manage liquidity crises, thus reducing the risks of insolvency. Effective supervision ensures that banks adhere to regulatory standards in corporate governance. This covers the evaluation of internal controls,

governance arrangements, and compliance with laws, thereby enhancing transparency and accountability and promoting efficiency in its operations. The supervisory bodies apply different tools and indicators to discover early warnings of potential problems. This will help attain the earlier detection of problems and timely interventions that minimize the risk of severe financial distress and enhance overall stability of the banking sector. Reserve requirements represent one of the key regulatory instruments, and their effects on bank performance run along various channels. By forcing banks to hold a certain fraction of deposits in reserve, the requirements ensure that banks keep enough liquidity necessary to face demand for withdrawals and short-term obligations. This enhances operational stability by reducing the possibility of any liquidity crisis.

Adequate reserve requirements reduce systemic risk by making it impossible for banks to rely too much on short-term funding. This decreases the likelihood of bank runs and enhances stability in the broader financial system. Reserve requirements impact the amount of money available for lending. Changing the reserve ratios would allow central banks to adjust credit growth, which may be helpful in controlling economic overheating or stimulating lending during economic downturns. The minimum liquidity is ensured by the reserve requirements, ensuring thereby that banks remain within safe limits, which in turn reinforces financial stability and also monetary policy effectiveness. In other words, the ratio of capital adequacy requirements, supervisory review, and the requirements for reserves-all these perform different but interrelated roles in enhancing the performance of banks. Therefore, capital adequacy requirements ensure that banks hold sufficient capital to absorb losses and maintain credit growth, hence contributing to financial stability and confidence. Supervisory review provides critical oversight necessary to improve risk management, governance, and regulatory compliance.

In this way, the requirements on reserves ensure liquidity, decrease systemic risk, and affect credit expansion, which supports overall financial stability. Together, these elements constitute a high-quality regulatory framework that promotes the soundness and performance of the banks, which further contributes to the stability and efficiency of the whole financial system.

5.4 Recommendations.

Recommendations to improve bank performance toward better financial stability from the point of view of capital adequacy, supervisory review, and requirements on reserve need to incorporate the following recommendations:

Periodic Review and Revision of Capital Standards: Regulatory measures must make periodic reviews and alterations in capital requirements, keeping in view changes in economic circumstances and risk exposures. This needs to be done in case of new financial instruments and fresh market conditions.

Stress Testing: Heighten the frequency and depth of stress testing with a view to establishing if capital levels are appropriate to resist a wide range of different adverse conditions and to make possible higher-quality capital instruments, including common equity, as such provides better loss absorption.

Capital Buffers: Continue to apply additional capital buffers-including the capital conservation buffer and countercyclical buffer-to provide added protection during periods of economic stress.

Forward-Looking Assessments: Banks should adopt robust capital planning processes featuring forward-looking assessments of capital needs based on strategic plans and risk exposures.

Transparency: Further enhance transparency in capital planning and disclosure to improve market discipline and stakeholder confidence.

Improve supervisory practices by forcing more intensive and frequent supervisory reviews of risk management practices, governance arrangements, and adherence to regulatory requirements and standards. Move toward holistic supervision approaches that combine qualitative assessments of management and governance along with quantitative measures.

Risk Culture: Encourage banks to have a sound risk management culture that truly embeds risk consideration in strategic decision-making and daily operations. This would include training and resources for bank management and supervisory staff to stay current on best practices and emerging risks. Advanced data analytics and monitoring tools would then be used to enhance precision and efficiency in supervisory reviews.

Automated Reporting: Utilize automated reporting systems in order to make more efficient processes of data collection and

Smoothen Economic Fluctuations by Changing Reserve Requirements: Apply counter-cyclical reserve requirements adjustments in order to make economic fluctuations more moderate. For example, it should be increased during boom periods and reduced during bust periods in order to stabilize credit growth.

Consider discrimination between certain bank risk profiles and business models for appropriate adjustments in the reserve requirement: Encourage the banks to follow best practices in liquidity management to make full use of the reserves while maintaining adequacy in line with regulatory requirements. Search for innovative instruments and frameworks for liquidity management that would help banks maintain the reserve requirements more effectively.

Clear Guidance: The operational framework for the setting of required reserves should be transparent and predictable to enable banks to plan and manage their liquidity efficiently. Enhance public reporting on issues of required reserves and liquidity management to bring more transparency to the market and confidence therein.

Monitor on a continuous basis the implications of the required reserves on bank performance as well as on financial stability and change the policies periodically when necessary, so any unintended consequences or emerging issues are taken care of.

Benchmarking: This would involve bench-marking reserve policies against international best practices to confirm indeed that they have been harnessed within the global standards and hence supportive of financial stability.

The following recommendations, when put into practice, will continue to enhance the effectiveness of capital adequacy requirements, supervisory review, and the role of reserve requirements in improving the performance of banks with a view to overall financial stability. Proactive and adaptive regulation in the context of enhanced risk management and transparency will further instill confidence that banks will be more resilient, and hence in a better position to underpin economic growth in a dynamic financial system.

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APPENDICES

Instructions.

Tick in the box corresponding to your answer

SECTION A:

RESPONDENT'S PROFILE

1. Gender

a) Male b) Female

2. Age

a) 20-30 b) 31 – 40

c) 41 and above

3. Level of education

a) Diploma

c) Post graduate

b) Degree

d) Others specify.....

Likert Scale

Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree
5	4	3	2	1

SECTION B: The need for capital adequacy requirement towards bank performance

In the subsequent sections use the scale provided to tick or circle the number that describes your opinion. 1. Strongly disagree (SD) 2. Disagree (D) 3. Not sure (NS) 4. Agree (A) 5. Strongly agree.

No.	Statements	SD	D	NS	A	SA
1	Capital adequacy requirement measures bank's capital to its risk-weighted assets					
2	Common equity and retained earnings is the most fundamental measure of a bank's financial strength.					
3	Capital adequacy requirement includes supplementary capital such as subordinated debt, hybrid instruments, and other instruments that can absorb losses in the event of a crisis					
4	Capital Conservation Buffer is intended to ensure that banks can maintain their capital ratios during periods of economic stress.					
5	Liquidity Coverage Ratio requires banks to hold enough high-quality liquid assets to cover short-term liabilities and ensure they can withstand a liquidity crisis					

The role of reserve requirement in enhancing bank performance

Section C. SA -strongly agree A-agree N-neutral SD-Strongly disagree D-disagree

No.	Statements	SA	A	N	D	SD
1	Supervisors review the adequacy of risk mitigation strategies and internal controls, ensuring that banks have appropriate measures in place to handle identified risks.					
2	Supervisory review ensures banks maintain sufficient capital relative to their risk-weighted assets, complying with capital adequacy requirements					
3	Regular supervisory reviews help banks adhere to regulatory requirements, avoiding fines and penalties that could affect performance					
4	Supervisory bodies monitor and manage systemic risks to ensure that problems in one bank do not propagate through the financial system, enhancing overall stability					
5	Supervisors review the governance structures and practices of banks, ensuring that there is effective oversight by the board of directors and senior management					

The role of reserve requirement in enhancing bank performance.

SECTION D. In the subsequent sections use the scale provided to tick or circle the number that describes your opinion. 1. Strongly disagree (SD) 2. Disagree (D) 3. Not sure (NS) 4. Agree (A) 5. Strongly agree

No.	Statements	SD	D	NS	A	SA
1	Adequate reserves help banks manage unexpected spikes in withdrawals or other liquidity needs, contributing to smoother operations and reduced financial stress.					
2	Reserve acts as a buffer against losses, providing a cushion that can absorb shocks and help banks weather economic downturns					
3	Reserve requirements are a tool for central banks to implement monetary policy. Changes in reserve requirements can influence the overall money supply and economic activity, impacting inflation and growth					
4	Reserve requirements are a tool for central banks to implement monetary policy. Changes in reserve requirements can influence the overall money supply and economic activity, impacting inflation and growth					
5	It promotes operational efficiency by preventing the need for costly emergency liquidity solutions and reducing the potential for financial instability					

Other (please specify)

Thank you for your cooperation.



UGANDA CHRISTIAN UNIVERSITY

A Centre of Excellence in the Heart of Africa

SCHOOL OF BUSINESS

19th Aug, 2024

TO WHOM IT MAY CONCERN

Name: **KULE ERISA**

Reg. No **S21B05/139**

A bachelor's student who is seeking permission from your office to collect data for his dissertation titled

The Relevance of Regulation and Supervision on Bank Performance: A Case of Stanbic Bank Mukono.

We shall be grateful if you could render assistance to him in collecting the necessary data for his dissertation

The Uganda Christian University School of Business thanks you in advance

.....

Mukisa Simon Peter

Research coordinator