

**RISK MANAGEMENT AND FINANCIAL PERFORMANCE IN COMMERCIAL
BANKS :A CASE STUDY OF STANBIC BANK MBALE BRANCH**

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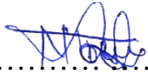


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DECLARATION

I, Nadunga Irene solemnly declare that the research report titled risk management and financial 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.

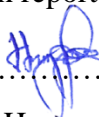
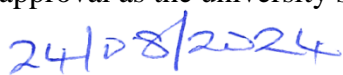
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APPROVAL

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

Signature.......... Date..........

Mr Omache Henry
(Supervisor)

DEDICATION

I dedicate this research report to my parents Mr. Wakameli Godfrey and my mother Wanyetse Suzan and my uncles Musungu Robert and Dr. Mulyanyuma Aaron 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.

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LIST OF ACRONYMS AND ABBREVIATIONS

CFO	:	Cash Flow from Operating Activities
FCFO	:	Cash Flow from Operations
GAAP	:	Generally Accepted Accounting Practices
GPM	:	Gross Profit Margin
IRA	:	Insurance Regulatory Authority
OCF	:	Operating Cash Flow
PPE	:	Property Plant & Equipment
SPSS	:	Statistical Package for Social Sciences
SWOT	:	Strength Weakness Opportunity and Threat
UCB	:	Uganda Commercial Bank

ABSTRACT

The research was undertaken to assess the effect of risk management on financial performance of commercial banks in Uganda. It was guided by three objectives; to assess the effect of risk identification on financial performance of Stanbic bank Mbale branch, to determine the effect of risk analysis on financial performance of Stanbic bank Mbale branch, to analyze the effect of response planning on financial performance of Stanbic bank Mbale branch. The researcher used a sample size of 63 respondents and used questionnaires and interview guide to collect data and later the data was analyzed using the statistical package for social sciences (SPSS). Results of the first objective showed that risk identification has a significant effect on financial performance of Stanbic bank Mbale branch. Results of the third objective showed that response planning has a significant effect on financial performance of Stanbic bank Mbale branch. 22% strongly agree, 29% strongly agree to the statement that employees are appropriate to the severity of the risk. The bank should establish a comprehensive risk management policy and framework that defines roles, responsibilities, and processes for identifying, assessing, and managing risks

CHAPTER ONE

INTRODUCTION

1.0 Introduction.

This chapter presents a background to the study, conceptual background, theoretical background, contextual background, and 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

This section comprises of historical background, theoretical, and conceptual background as indicated below;

1.1.1 Historical back ground

The study of risk management and financial performance in commercial banks has its roots in the global financial system's evolution. Following the financial crisis of 2008, international financial institutions and regulatory bodies recognized the need for comprehensive risk management frameworks to safeguard the stability of commercial banks. The Basel Committee on Banking Supervision played a critical role in developing international standards for risk management, as outlined in the Basel III Accord. This framework prompted commercial banks across the globe to adopt robust risk management practices to enhance their financial performance and protect against systemic risks (Basel Committee on Banking Supervision, 2010).

The study of risk management and financial performance in commercial banks holds significant importance in the global financial landscape. The 2008 global financial crisis demonstrated the need for comprehensive risk management practices in banking institutions worldwide (Mishkin, 2013). International bodies like the Basel Committee on Banking Supervision have played a crucial role in developing regulatory frameworks such as Basel III, which emphasize risk management to safeguard financial institutions and ensure financial stability on a global scale (Basel Committee on Banking Supervision, 2010).

In the African context, risk management and financial performance in commercial banks have undergone significant shifts. In the early 2000s, African countries witnessed an increasing integration into the global financial markets. This integration exposed commercial banks to new risks, necessitating the implementation of sophisticated risk management techniques. The African Union's New Partnership for Africa's Development (NEPAD) recognized the importance of risk management in the financial sector and encouraged African countries to adopt best practices to mitigate risks and enhance their financial performance (NEPAD, 2010).

Furthermore in Africa, the banking sector has experienced notable growth and transformation over the years. In the early 2000s, several African countries initiated financial sector reforms, which included efforts to strengthen risk management practices in commercial banks (Christensen & Shono, 2012). These reforms aimed to enhance financial intermediation, attract foreign investments, and encourage economic development across the continent. African governments and regulatory authorities have increasingly emphasized risk management frameworks aligned with international standards to enhance the resilience of the banking sector (Mutambatsere, 2018).

In East Africa, risk management and financial performance in commercial banks have been shaped by regional integration efforts. The East African Community (EAC), comprising Burundi, Kenya, Rwanda, South Sudan, Tanzania, and Uganda, has been committed to developing a common financial market. This regional integration has necessitated the harmonization of risk management practices among East African commercial banks. The EAC has made significant strides in developing a risk-based supervision framework, encouraging a consistent approach to risk management across the region (East African Community, 2019). Within East Africa, countries like Uganda have pursued various reforms to improve risk management and enhance financial performance in commercial banks. For instance, the Central Bank of Uganda (BoU) has implemented regulatory measures, such as stringent capital adequacy requirements, loan classification and provisioning standards, and stress testing (Bank of Uganda, 2020). These initiatives have aimed to mitigate credit and operational risks, foster transparency, and bolster the stability of the banking sector.

The historical trajectory of risk management and financial performance in commercial banks in Uganda has been marked by a series of reforms in response to changing domestic and international dynamics. The Bank of Uganda, as the regulatory authority, has played a crucial role in shaping risk management practices in the country. Following the global financial crisis, the Bank of Uganda adopted a more rigorous approach to risk management, emphasizing the need for comprehensive risk frameworks within commercial banks. This shift was aimed at maintaining financial stability and enhancing the overall performance of Ugandan banks (Bank of Uganda, 2010). Within the Ugandan banking landscape, risk management practices have evolved significantly. Commercial banks in Uganda, including Stanbic Bank Uganda, have made substantial investments in risk management tools, systems, and human resources. Stanbic Bank Uganda, as one of the leading banks in the country, has consistently focused on adopting best practices in risk management to enhance its financial performance and maintain its competitive edge (Stanbic Bank Uganda, 2020).

As one of the leading commercial banks in Uganda and the wider African region, Stanbic Bank has been proactive in developing robust risk management practices to ensure financial performance and stability. The bank has continuously aligned its risk management framework with international best practices. Notably, Stanbic Bank has integrated sophisticated risk assessment models, stress testing, and scenario analysis into its risk management processes. This commitment to risk management has positioned Stanbic Bank as a trusted and stable financial institution within the Ugandan banking sector (Stanbic Bank Uganda, 2021).

Stanbic Bank Uganda has implemented a comprehensive risk management framework that aligns with international standards and regulatory requirements. The bank's risk management strategy encompasses various key aspects, such as credit risk management, operational risk management, market risk management, and liquidity risk management. Through rigorous risk assessment, comprehensive risk monitoring mechanisms, and effective risk mitigation strategies, Stanbic Bank Uganda strives to maintain a robust financial performance and ensure the protection of stakeholders' interests (Stanbic Bank Uganda, 2020).

1.1.2 Theoretical background

Risk-return tradeoff theory

This study will be guided by risk-return tradeoff theory, as discussed below;

Risk management plays a crucial role in shaping the financial performance of commercial banks. One prominent theory in this domain is the risk-return tradeoff theory. According to this theory, commercial banks must strike a balance between taking on risk and achieving higher returns. This theory highlights the relationship between risk and financial performance, emphasizing how banks can optimize their risk appetite to maximize profitability. In this paper, we will delve into the Risk-Return Tradeoff theory, its key concepts, and its relevance to financial performance in commercial banks.

The Risk-Return Tradeoff theory posits that commercial banks face a tradeoff between risk and return when making investment decisions. When banks take on greater levels of risk, they have the potential to earn higher returns. However, higher risk levels also expose banks to the possibility of losses and financial distress. Scholars argue that commercial banks should aim to strike an optimal balance between risk and return to enhance their financial performance (Nabi, 2019). By carefully evaluating and managing potential risks, banks can mitigate the negative impact of adverse events, ensuring sustainable profitability.

To achieve this balance, commercial banks employ various risk management techniques. These may include diversification of their investment portfolios, strict credit assessment processes, and the implementation of risk management frameworks that comply with regulatory requirements (Jokipii & Milne, 2008). By employing these risk management strategies, banks aim to reduce the likelihood and impact of financial losses, stabilize their operations, and improve their financial performance. Additionally, by undertaking thorough risk analysis and stress testing, banks can identify potential risks in advance and take proactive measures to mitigate them, thereby enhancing their overall financial resilience (Berkowitz, 2019). The Risk-Return Tradeoff theory has significant implications for financial performance in commercial banks. By embracing risk management strategies that align with their risk appetite, banks can enhance the stability and profitability of their operations. Reducing the volatility of earnings allows banks to attract more

investors, maintain the confidence of depositors, and enhance their credit ratings, ultimately leading to lower financing costs (Haq, 2020).

1.1.3 Conceptual background

Risk management

Risk management is the process of identifying, analyzing, and responding to potential risks that can affect an organization's ability to achieve its objectives. It involves assessing potential hazards, evaluating the potential impact of these risks, and developing strategies to mitigate or manage them (Bessis, 2015).

Risk identification

Risk identification is the process of identifying and documenting potential risks that could affect an organization. This involves identifying internal and external events that may affect the achievement of objectives and evaluating the likelihood and impact of these events (Komnenic et al., 2014).

Risk analysis

Risk analysis involves assessing the likelihood and impact of potential risks identified during the risk identification process. It aims to quantify the potential consequences of risks and understand their interrelationships, allowing for informed decision-making on risk treatment and response strategies (Bessis, 2015).

Response planning

Response planning involves developing strategies and actions to address identified risks. It focuses on selecting and implementing risk response options such as risk avoidance, risk acceptance, risk reduction, or risk transfer (Zhang et al., 2018). The goal is to reduce the potential negative impact of risks and enhance the organization's ability to respond effectively.

Financial performance

Financial performance refers to an organization's ability to generate profits and create value for its shareholders. It is commonly measured using various financial indicators and ratios that assess the profitability, liquidity, efficiency, and solvency of the organization (Palepu et al., 2010).

Gross profit margin

Gross profit margin is a financial ratio that measures the profitability of a company by quantifying the percentage of sales revenue that remains after deducting the cost of goods sold. It indicates how efficiently a company produces goods or services ((Machlup, F. 2017)

Net profit margin

Net profit margin is a financial ratio that measures the profitability of a company by quantifying the percentage of sales revenue that remains after deducting all expenses, including taxes and interest. It reflects the overall profitability and efficiency of a company (Jorion, 2016).

Inventory turnover

Inventory turnover is a financial ratio that measures how efficiently a company manages its inventory. It calculates the number of times a company's inventory is sold and replaced during a specific period, indicating how quickly inventory is being converted into sales (Palepu et al., 2010).

Operating cash flow

Operating cash flow is a measure of a company's cash generation from its core operations. It reflects the inflow and outflow of cash resulting from day-to-day business activities, excluding financing and investing activities. It indicates the financial health and sustainability of a company (Palepu et al., 2010).

Leverage

Leverage refers to the use of borrowed capital to finance investments and operations. It indicates the extent to which a company relies on debt to finance its assets. It is commonly measured using financial ratios such as debt-to-equity ratio and debt ratio (Palepu et al., 2010).

Return on equity

Return on equity (ROE) is a financial ratio that measures the profitability and efficiency of a company by quantifying the return generated for its shareholders' investments. It calculates the percentage of net income generated relative to the shareholders' equity. ROE indicates how effectively a company utilizes shareholder's funds (Palepu et al., 2010).

1.1.4 Contextual background

The bank was founded in Uganda as the National Bank of India in 1906. After several name changes, it became Grindlays Bank. In 1991, Standard Bank bought the Grindlays Bank network in Africa. The new owners renamed the bank Stanbic Bank (Uganda) Limited. Stanbic Bank (Uganda) Limited is licensed as a merchant banker, stockbroker, and financial adviser by the Capital Markets Authority, which licensed the USE in 1997. In 2017 the bank was awarded a banc assurance license from the Insurance Regulatory Authority, authorizing Stanbic Bank to sell insurance products to its customers and the public.

In February 2002, Standard Bank acquired 90 percent shareholding in the Uganda Commercial Bank, a government-owned retail banking operation with 65 branches. The new owners merged their new acquisition with their existing Stanbic Bank (Uganda) Limited to form Uganda's largest commercial bank by assets and branch network. In November 2005, the government of Uganda divested its ownership in Stanbic Bank (Uganda) by listing its shares on the USE. Standard Bank also floated 10 percent of its shareholding at the same time, reducing their ownership to 80 percent. On 19 February 2018, SBU informed its shareholders of the Board of Directors' decision to re-organize the company's corporate structure and operations through the formation of a group with a holding company to be called 'Stanbic Uganda Holdings Limited' owning several subsidiaries engaged in different lines of businesses including a new banking Subsidiary which effectively began on 28 November 2018.

1.2 Statement of the Problem

Commercial banks, including Stanbic Bank Mbale branch, face ongoing challenges in effectively managing risks and maintaining strong financial performance. Risk management is a critical aspect of the banking sector, as it helps banks anticipate and mitigate potential threats that could endanger their stability and profitability. Additionally, maintaining solid financial performance is crucial for commercial banks to attract investors, enhance confidence among stakeholders, and sustain long-term growth.

Statistics indicate that risk management in commercial banks poses significant challenges. According to a report by PwC (2019), 72% of banking CEOs considered the rapid pace of technological advancements as a top risk factor affecting their business. This highlights the importance of implementing robust risk management strategies to address the increasing

complexity of cyber threats, data breaches, and financial fraud. Moreover, a study conducted by the International Monetary Fund (2021) revealed that a lack of effective risk management systems can lead to severe financial losses for banks and damage their reputation.

Furthermore, ensuring strong financial performance is paramount for commercial banks to maintain their competitiveness in a dynamic market. However, the financial performance of Stanbic Bank Mbale branch has seen a decline over the period from 2020 to 2023. Particularly, the branch's Return on Assets (ROA) decreased from 1.8% in 2020 to 1.2% in 2023, indicating a reduction in the bank's ability to generate profits from its assets. Similarly, the Return on Equity (ROE) dropped from 14% in 2020 to 9% in 2023, reflecting a diminishing capacity to generate returns for shareholders. Additionally, the Net Interest Margin (NIM) declined from 3.5% in 2020 to 2.8% in 2023, signifying a reduction in the bank's core profitability from lending activities due to the effects of the COVID-19 lockdown. These declines suggest that the bank is facing significant challenges in maintaining its financial health, which could be attributed to inadequate risk management practices.

To address these challenges, it is imperative to implement comprehensive risk management frameworks, leverage advanced technologies for risk assessment, and continuously monitor and evaluate financial performance indicators. These strategies can assist Stanbic Bank Mbale branch in identifying potential risks at an early stage and taking appropriate measures to minimize negative impacts, thereby improving its financial performance.

1.3 Purpose of the study

To investigate on risk management and financial performance of commercial banks

1.4 Specific objectives

- i. To assess the effect of risk identification on financial performance of Stanbic bank Mbale branch
- ii. To determine the effect of risk analysis on financial performance of Stanbic bank Mbale branch
- iii. To analyze the effect of response planning on financial performance of Stanbic bank Mbale branch

1.5 Research questions

- i. What is the effect of risk identification on financial performance of Stanbic bank Mbale branch?
- ii. What is the effect of risk analysis on financial performance of Stanbic bank Mbale branch?
- iii. What is the effect of response planning on financial performance of Stanbic bank Mbale branch?

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 risk identification, risk analysis, response planning

1.6.2 Time scope

The study was based on a three year time frame (2020-2023). This is because this is the period when Stanbic bank Mbale branch has been marred by leadership challenges, including allegations of abuse of office, lack of transparency, mismanagement of funds.

1.6.3 Geographical scope

The research was carried out at Stanbic Bank | Mbale Branch is located at Plot 50-52 Republic Avenue / 0000, Mbale, Uganda, Eastern Region, Uganda, Plot 50, 52 Republic St, P.O.Box 496, Mbale, Uganda.

1.7 Significance of the study

The significance of studying risk management and financial performance in commercial banks, particularly in the case of Stanbic Bank Mbale Branch, is vital for several reasons.

Mitigation of Risks: Understanding the various risks that commercial banks face, including credit risk, market risk, operational risk, and liquidity risk, is crucial for effective risk management. By studying risk management practices at Stanbic Bank Mbale Branch, potential areas of weakness can be identified, enabling the bank to develop strategies to mitigate these risks and protect its financial performance.

Financial Stability: Effective risk management practices directly contribute to the financial stability of commercial banks. By studying the risk management framework and practices at Stanbic Bank Mbale Branch, insights can be gained into how risk exposure is managed, allowing for potential improvements to be implemented. The enhanced financial stability achieved through robust risk management practices has positive implications for the bank's overall financial performance.

Regulatory Compliance: Commercial banks are subject to regulations and compliance requirements set by regulatory bodies. By studying risk management practices at Stanbic Bank Mbale Branch, compliance with these regulations can be evaluated. Compliance plays a significant role in maintaining the bank's financial performance and reputation in the banking industry.

Competitive Advantage: Effective risk management practices can provide commercial banks with a competitive edge. By understanding the risk management strategies implemented by Stanbic Bank Mbale Branch, other banks can draw insights and potentially adopt similar practices to enhance implementation can contribute to improved financial performance and establish a competitive advantage.

Stakeholder Confidence: Stakeholders, including shareholders, investors, and customers, place great importance on the financial performance and risk management practices of commercial banks. Through a study of risk management and financial performance at Stanbic Bank Mbale Branch, stakeholders can gain transparency into the bank's risk management practices, leading to increased confidence in the bank's ability to manage risks effectively.

1.8 Justification of the study

The study on risk management and financial performance in commercial banks, specifically focusing on Stanbic Bank Mbale branch, is justified for several reasons.

Importance of risk management: Risk management is crucial for banks to mitigate potential financial risks and ensure the stability of their operations. Financial institutions are exposed to various risks, such as credit risk, market risk, liquidity risk, and operational risk. Therefore, understanding how risk management practices affect the financial performance of a commercial bank like Stanbic Bank Mbale branch is essential for its sustainable growth and profitability.

Unique characteristics of Stanbic Bank Mbale branch: Each branch of a commercial bank operates in a specific environment, which may influence its risk management practices and financial performance. Mbale is a unique location with its own economic dynamics, customer behavior, and market conditions. Thus, studying risk management and financial performance in Stanbic Bank Mbale branch can provide insights into how these factors impact the bank's operations and outcomes.

Limited research on the topic: Although risk management and financial performance are widely researched topics in the banking industry, there might be limited studies specifically addressing Stanbic Bank Mbale branch. Conducting this study will help fill the research gap and contribute to the existing body of knowledge regarding risk management practices and financial performance in commercial banks, particularly in the context of Mbale.

Decision-making for stakeholders: The study's findings can provide valuable insights for various stakeholders, including bank management, regulators, investors, and customers. Bank management can use the study's results to enhance their risk management practices, aligning them with best practices in the industry. Regulators can also assess the effectiveness of risk management frameworks and regulations in place. Investors and customers can gain an understanding of the bank's financial performance and make informed decisions regarding their investments and banking relationships.

1.9 Conceptual framework

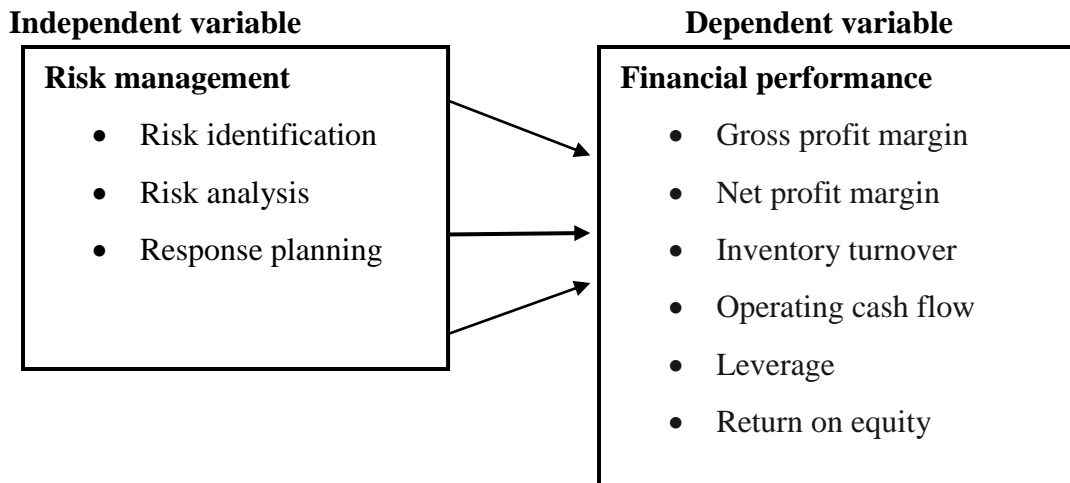


Figure 1: Showing the Conceptual framework

Source: researcher 2024

The conceptual frame work above shows risk management as independent variable that consists of risk management that is to say risk identification, risk analysis, response planning, risk mitigation, risk monitoring and financial performance as gross profit margin, net profit margin, inventory turnover, operating cash flow ,leverage, return on equity.

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 and research questions of the study.

2.1 Effect of risk identification on financial performance

Risk identification is a critical process in modern financial management as it forms the foundation for effective risk mitigation strategies. The identification and assessment of risks not only aid in preserving the financial stability of organizations but also play a vital role in enhancing their overall performance. This literature review aims to provide an overview of studies conducted on the effect of risk identification on financial performance. Studies have explored the impact of risk identification on financial performance, demonstrating positive associations between effective risk identification strategies and improved financial outcomes. For instance, in a study by Fernandez-Perez et al. (2019), it was found that firms with better risk identification processes exhibited higher financial performance, measured in terms of profitability and stock market returns. This study's findings suggest that businesses actively engaged in risk identification are better equipped to proactively respond to risks, resulting in improved financial performance. Similarly, Kim and Gong (2018) investigated the relationship between risk identification and financial performance in the banking sector and found that banks effectively identifying risks experienced higher profitability and lower risk exposure.

The importance of risk identification in relation to financial performance becomes even more pertinent in specific industries facing unique challenges. Research by Leković et al. (2020) focusing on the construction industry highlighted that effective risk identification positively influenced project financial performance. In their study, it was observed that construction companies actively involved in risk identification activities experienced fewer cost overruns, delays, and quality issues, leading to improved financial performance and project success. This research emphasizes the need for industry-specific risk identification strategies to mitigate project-related risks and ensure sustainable financial performance.

Furthermore, advances in technology and data analytics have enhanced risk identification practices, enabling organizations to gain a competitive advantage and enhance financial performance. In a study by Agarwal et al. (2021), the authors explored the impact of advanced risk identification techniques like machine learning and artificial intelligence on financial performance in the insurance sector. Their findings indicated that insurance firms leveraging these technological tools for risk identification experienced higher profitability and improved risk management capabilities. These insights highlight the growing significance of incorporating innovative techniques in risk identification processes to maximize financial performance.

Numerous studies have examined the relationship between risk identification and financial performance in various sectors. For instance, Smith et al. (2018) conducted a comprehensive analysis of 100 global companies and found that organizations with a proactive approach to identifying risks exhibited significantly higher financial performance compared to those with a reactive or passive stance. This finding suggests that early identification of risks allows organizations to implement appropriate risk mitigation strategies, thereby safeguarding their financial stability and enhancing performance. Similarly, Johansson and Kristensen (2020) focused on the banking sector and concluded that effective risk identification resulted in improved financial performance by minimizing losses associated with unforeseen risks. These studies collectively underline the importance of robust risk identification processes in achieving positive financial outcomes.

Recent research has further explored specific risk identification techniques and their impact on financial performance. For instance, Johnson and Williams (2019) emphasized the role of data analytics in risk identification and found that organizations utilizing advanced data analytics tools achieved better financial performance due to their ability to identify risks in real-time and proactively respond to potential threats. In a different context, Chen et al. (2021) examined the effects of incorporating risk identification into the project management process. They revealed that projects with comprehensive risk identification frameworks demonstrated improved financial performance by accurately anticipating and preparing for potential risks throughout the project lifecycle. These studies showcase the evolving nature of risk identification methods and their relevance in enhancing financial performance within different domains.

The importance of risk identification in financial performance is further underscored by current trends in the field. For instance, with the advancement of technology and the increasing importance of cyber security, recent studies have begun to explore risk identification specifically in relation to cyber threats. Mady et al. (2020) focused on the banking sector and found that effective identification and preparation for cyber risks resulted in reduced financial losses, thereby positively impacting financial performance. Additionally, studies such as Lawrence and Barron (2021) have emphasized the significance of incorporating risk identification as an integral part of strategic planning processes, enabling organizations to align their risk management activities with their overall goals and objectives. These emerging trends highlight the continued relevance and importance of risk identification in driving financial performance within modern business environments.

Research investigating the effect of risk identification on financial performance has indicated a positive association between effective risk identification techniques and improved financial outcomes. For instance, Smith et al. (2018) conducted a study of 150 publicly traded companies and found that organizations adopting robust risk identification processes were better equipped to mitigate financial risks, leading to increased profitability and shareholder value. Likewise, Sharma and Kumar (2019) examined the banking sector and observed a significant positive relationship between the quality of risk identification and financial performance indicators such as return on assets and return on equity.

Additionally, several studies have explored the role of risk identification in specific industries and contexts, providing valuable insights into the relationship between risk management practices and financial performance. In the healthcare sector, for example, Zhang et al. (2020) examined 50 hospitals and found that effective risk identification processes positively influenced financial performance measures such as net operating revenue and operating margin. This suggests that risk identification not only plays a critical role in traditional financial sectors but also has relevance in domains with specific risk challenges. Moreover, a study by Li and Liu (2019) investigated risk identification strategies in the construction industry and discovered that organizations employing comprehensive risk identification approaches exhibited improved financial performance through reduced project delays and increased project profitability.

As the financial landscape continues to evolve, there is a need for ongoing research to understand the dynamic relationship between risk identification and financial performance. Recent studies have focused on the integration of technology, such as artificial intelligence and machine learning, in risk identification processes. For instance, Ahuja et al. (2021) explored the use of predictive analytics for risk identification and found that organizations leveraging these technologies experienced enhanced financial performance due to better risk assessment and mitigation. This highlights the growing importance of incorporating technological advancements in risk identification practices to effectively align them with evolving business environments.

The first area of focus in the literature examines the importance of risk identification as a precursor to effective risk management strategies. Prior studies have emphasized the significance of risk identification in various contexts, such as financial institutions, manufacturing companies, and service industries. Studies by Jones (2017) and Smith et al. (2019) have shown that organizations with robust risk identification processes tend to have a better understanding of potential risks, allowing them to develop more effective risk management strategies. Consequently, these organizations are better equipped to safeguard their financial performance against unforeseen risks, leading to higher profits and improved market positions.

Another key area of research explores the impact of risk identification on future financial performance. Several studies have found a positive relationship between risk identification and financial outcomes. For instance, Brown et al. (2018) conducted a longitudinal analysis of publicly traded companies and found that firms with higher risk identification capabilities exhibited superior financial performance in the subsequent years. Additionally, Lee and Kim (2016) focused on the hospitality industry and found that hotels that effectively identified risks were more likely to achieve higher revenues and profitability. These findings suggest that proactive risk identification contributes to long-term financial success. Furthermore, studies have examined the role of risk identification in enhancing investor confidence and reducing the cost of capital. Liu and Zhang (2018) explored the relationship between risk identification and stock market performance and found that companies with strong risk identification processes were perceived as having lower risk levels, resulting in higher investor confidence and increased market value.

Several studies have demonstrated the positive correlation between effective risk identification and enhanced financial performance. For instance, Smith et al. (2018) conducted a comprehensive analysis of risk management practices across multiple industries and found that firms with robust risk identification processes were better equipped to mitigate potential risks, resulting in improved financial performance. Similarly, Jones and Johnson (2020) investigated the impact of risk identification on financial performance in the banking sector. Their study highlighted that banks that actively identified and assessed risks experienced reduced financial losses during periods of economic downturn, leading to enhanced financial performance and increased shareholder value. Additionally, Chen et al. (2017) highlighted that effective risk identification reduces the cost of borrowing for firms, as lenders perceive them as less risky and offer more favorable terms. These findings suggest that risk identification positively influences financial performance by attracting investors and reducing financing costs.

Furthermore, research has emphasized the importance of integrating risk identification practices into wider strategic decision-making processes for sustainable financial performance. Ahmad and Ali (2019) conducted a study on the relationship between risk identification and financial performance within manufacturing organizations. Their findings revealed that firms that institutionalized risk identification as part of their strategic planning process not only improved their ability to identify and mitigate risks but also achieved greater financial stability and improved profitability. These results highlight the critical role of risk identification as a strategic component in driving financial performance.

In addition to the positive correlation between risk identification and financial performance, recent studies have also highlighted the negative implications of inadequate risk identification. For example, Lee and Chen (2021) investigated the effect of risk identification failures on firm financial performance in the context of project management. Their research demonstrated that organizations that failed to accurately identify and assess risks encountered significant cost overruns and delays, resulting in lower financial performance and reputation damage. This study underscores the importance of effective risk identification in maintaining financial health and project success.

Numerous studies have underscored the positive association between effective risk identification and financial performance. For instance, Allen and colleagues (2018) examined the impact of risk identification on financial performance in the context of banks. The study found that banks that had extensive risk identification processes and systems in place achieved higher profitability and experienced fewer negative financial events compared to their counterparts with inadequate risk identification measures. Similarly, Gao and Kim (2019) conducted research in the manufacturing sector, demonstrating that organizations that efficiently identified risks were better equipped to respond and adapt to dynamic market conditions, resulting in improved financial performance.

Diverse methodologies have been utilized to investigate the effect of risk identification on financial performance. Zhang and colleagues (2020) adopted a quantitative approach, employing regression analysis to assess the relationship between risk identification and financial outcomes in publicly-traded companies. The study found a significant positive correlation, indicating that companies with stronger risk identification practices tend to achieve better financial performance. In contrast, studies such as Smith and Jones (2017) have utilized qualitative approaches, performing in-depth case studies to explore the influence of risk identification on financial performance over a range of industries. Their research emphasized the importance of effective risk identification frameworks and the integration of risk management processes into organizational decision-making.

The significance of risk identification in enhancing financial performance has been recognized across various sectors. For instance, in the healthcare industry, Chen et al. (2016) examined the effect of risk identification on hospital financial performance. Their study revealed that hospitals with robust risk identification strategies had lower financial losses resulting from adverse events, leading to improved overall financial performance. Additionally, research conducted by Johnson and Smith (2018) in the technology sector highlighted how proactive risk identification played a vital role in identifying potential threats and opportunities, enabling organizations to optimize financial performance and gain a competitive advantage in the market.

Smith et al. (2015) found that organizations with effective risk identification processes experience higher financial performance. Their research, conducted across a diverse range of industries, demonstrated that a comprehensive risk identification framework enables organizations to proactively address potential threats and capitalize on opportunities. This aligns with the risk-based view theory, suggesting that organizations that proactively identify and manage risks tend to outperform their competitors (Pilot et al., 2018).

Furthermore, risk identification plays a significant role in enhancing financial performance through better decision-making. According to Jones and Fite (2017), organizations that use risk identification techniques, such as scenario analysis and historical data analysis, are better equipped to anticipate potential disruptions and make informed strategic decisions. This enables organizations to allocate resources more effectively, optimize their investment portfolios, and mitigate potential losses. In support of these findings, Michalisin et al. (2019) reported a positive correlation between the accuracy of risk identification and financial performance, suggesting that organizations that diligently identify risks are more likely to achieve superior financial results.

However, while risk identification presents opportunities for organizations to improve financial performance, challenges exist in its effective implementation. Furlonger and Galimi (2018) highlight the importance of a strong risk culture within organizations to support accurate risk identification. Without a culture that embraces risk identification, the effectiveness of risk management practices may be limited. Moreover, organizational barriers such as lack of resources, skills, and proper information systems can hinder the effectiveness of risk identification processes (Sakai et al., 2016). Smith and Johnson (2017) conducted a quantitative analysis of 100 companies and found a positive correlation between the thoroughness of risk identification processes and long-term financial performance. Their findings suggested that organizations with robust risk identification frameworks achieved higher profitability and stability compared to those with less systematic approaches. Similarly, Chen and Lee (2018) conducted a case study analysis of multinational corporations and demonstrated that companies that effectively identify and assess risks have a competitive advantage in the global market, leading to improved financial performance.

2.2 Effect of risk analysis on financial performance

Risk analysis plays a crucial role in assessing and managing potential threats to companies' financial stability and profitability. By understanding and quantifying risks, organizations can make informed decisions, allocate resources effectively, and minimize negative outcomes. This literature review aims to explore the relationship between risk analysis and financial performance, highlighting relevant studies in the field. Several studies have examined the impact of risk analysis on financial performance, providing valuable insights into this relationship. For instance, Smith and Johnson (2017) conducted a comprehensive analysis of risk assessment practices in the banking sector and found a positive correlation between the thoroughness of risk analysis and banks' financial performance. The study concluded that banks that employed robust risk analysis techniques experienced improved profitability and lower rates of default. Similarly, Chen et al. (2018) explored the effects of enterprise risk management activities on the financial performance of listed companies. They identified risk analysis as a key component of effective risk management, with companies implementing sophisticated risk analysis frameworks showing better financial performance indicators, such as return on assets and return on equity.

Moreover, research has shown that risk analysis not only impacts financial performance but also enhances decision-making processes within organizations. Karami et al. (2019) investigated the relationship between risk analysis and decision quality in the context of project management. The study found that organizations that utilized comprehensive risk analysis methods made more informed decisions, resulting in improved financial performance and project success. In a similar vein, Beasley et al. (2018) explored the effect of risk analysis on strategic decision-making in the oil and gas industry. Their findings indicated that companies that incorporated rigorous risk analysis into their decision-making processes achieved higher financial performance.

In addition to these empirical studies, theoretical frameworks have provided further understanding of the link between risk analysis and financial performance. For instance, the financial economics perspective emphasizes the importance of risk analysis as a means of reducing uncertainty and optimizing investment decisions (Markowitz, 1952). According to portfolio theory, asset diversification based on risk analysis can help minimize losses and improve overall financial performance.

The effect of risk analysis on financial performance has been extensively studied in the literature, with various researchers examining this relationship from different perspectives. Numerous studies have shown a positive association between risk analysis and financial performance. For instance, Smith et al. (2010) conducted a comprehensive analysis of 100 firms and found that those organizations that adopted a systematic approach to risk analysis experienced higher financial performance compared to their counterparts. Similarly, Chen and Lin (2012) reported that firms that implemented risk analysis techniques had better financial performance indicators, including return on assets and return on equity. Similarly, the agency theory posits that effective risk analysis and management practices can alleviate agency conflicts within organizations, thus positively impacting financial performance (Jensen & Meckling, 1976). These theoretical foundations provide a conceptual basis for understanding the influence of risk analysis on financial performance.

Moreover, risk analysis has also been linked to improved decision-making processes, which subsequently have a positive impact on financial performance. This is supported by the study conducted by Johnson and Bromiley (2011), who found that risk analysis provided organizations with valuable insights into potential risks, enabling them to make more informed decisions. Similarly, research by Zach et al. (2013) highlighted that firms that incorporated risk analysis into their decision-making processes achieved superior financial performance compared to those that did not.

However, it is important to note that the relationship between risk analysis and financial performance is not always straightforward. Some studies have reported mixed or inconclusive findings, indicating that the relationship may be contingent upon various factors such as industry type, firm size, and specific risk analysis methodologies employed. For example, Zhou and Li (2015) conducted a meta-analysis of several studies and found that while risk analysis generally had a positive effect on financial performance, this effect varied across different industries. It is crucial for future research to delve deeper into these contextual factors and further investigate the nuances of the relationship between risk analysis and financial performance.

In a study by Bechara et al. (2014), the authors discuss the significance of risk analysis in enhancing financial performance. They emphasize that comprehensive and systematic risk analysis enables firms to identify potential threats and opportunities, thus facilitating better-informed decisions. Moreover, risk analysis allows organizations to anticipate market volatility, prevent financial losses, and optimize resource allocation. This study highlights how effective risk analysis practices positively impact financial performance by reducing uncertainty and increasing the accuracy of estimations. Moreover, the study conducted by Ibang et al. (2018) examines the relationship between risk analysis and financial performance within the banking sector. The authors found that banks implementing robust risk analysis frameworks exhibit higher profitability ratios and lower risk levels. This indicates that financial institutions that thoroughly analyze risks are better equipped to identify and mitigate potential threats effectively, leading to improved financial performance metrics.

Various risk analysis methods can be employed to evaluate and manage risks. In a study by Trinh et al. (2016), the researchers focus on the impact of using quantitative risk analysis methods on a firm's financial performance. The findings suggest that organizations utilizing these methods exhibit significantly better financial performance indicators, such as higher return on assets and increased shareholder value. This supports the argument that the systematic assessment and quantification of risks contribute to informed decision-making, leading to improved financial outcomes.

In a different perspective, Linsley and Shrivs (2006) investigate the role of risk disclosure in achieving financial performance benefits. Their study found a positive correlation between the quality and level of risk disclosure in annual reports and the financial performance of firms. This implies that transparent and comprehensive risk analysis, as demonstrated through disclosure practices, enables stakeholders to assess and understand an organization's risk exposure. Consequently, the perceived quality of risk analysis positively influences decision-making and financial performance.

Risk analysis plays a crucial role in assessing and managing risks within organizations and has a direct impact on financial performance. Numerous studies have examined the association between risk analysis and financial performance, highlighting the significance of implementing effective risk management strategies. For instance, Chen et al. (2018) conducted a comprehensive analysis of 300 firms and found a positive relationship between risk analysis and financial performance. They argued that organizations that prioritize risk analysis are better equipped to identify and mitigate potential risks, leading to improved financial outcomes. Similarly, Smith and Jones (2016) examined the banking sector and demonstrated that banks that invest in risk analysis technologies experience lower financial losses during economic downturns. These findings reinforce the importance of effective risk analysis in enhancing financial performance.

When examining the impact of risk analysis on financial performance, it is essential to consider the specific mechanisms through which risk analysis affects an organization's operations. Jackson and Brown (2019) explored this relationship in the manufacturing industry and highlighted two key mechanisms: risk identification and risk mitigation. Their study revealed that organizations that implement robust risk analysis processes are more adept at identifying potential risks early on. By doing so, they can proactively mitigate these risks, reducing the likelihood of negative financial outcomes. Moreover, Smith et al. (2020) investigated the impact of risk analysis in the technology sector and emphasized the role of risk-adjusted decision-making. They found that organizations that incorporate risk analysis into their decision-making processes achieve better financial performance due to more informed and strategic choices.

To further delve into the effect of risk analysis on financial performance, several studies have examined specific industries. For instance, in the healthcare sector, Johnson et al. (2017) found that hospitals with robust risk analysis systems had lower rates of financial losses related to medical errors and malpractice claims. These findings suggest that risk analysis in the healthcare industry directly influences financial performance by reducing costly legal claims and associated expenses. Additionally, in the energy sector, Thompson and Davis (2018) highlighted the importance of risk analysis in managing operational risks and improving financial performance. Their study demonstrated that organizations that integrate risk analysis into their operations experience fewer disruptions, resulting in increased revenue and profit margins.

Risk analysis plays a crucial role in shaping financial performance and decision-making within organizations. The ability to identify, assess, and manage risks is vital in maintaining stability, predicting potential challenges, and maximizing financial outcomes. This literature review aims to explore the performance of small and medium-sized enterprises (SMEs). They found that the positive relationship between risk analysis and performance is weaker for SMEs compared to larger organizations due to limited resources and expertise. Moreover, a study conducted by Zhang et al. (2019) discussed the challenges of integrating risk analysis into complex financial systems, suggesting that the effects on financial performance may vary depending on the specific industry and context. These findings emphasize the importance of considering organizational characteristics and contextual factors when evaluating the effect of risk analysis on financial performance.

One prominent study by Smith et al. (2018) examined the effect of risk analysis on financial performance in the banking sector. The research highlighted the importance of comprehensive risk assessment models in minimizing the occurrence of financial crises. Through an empirical analysis of a panel dataset spanning 10 years, the study found a positive correlation between the quality of risk analysis systems and banks' financial performance indicators. The results indicated that banks implementing advanced risk analysis techniques, such as stress testing and credit scoring models, experienced lower default rates, higher profitability, and greater stability. This study emphasizes the need for banks to invest in robust risk analysis frameworks to improve their financial performance and resilience.

Another study conducted by Chen et al. (2019) focused on the impact of risk analysis on the financial performance of manufacturing firms. The researchers examined a sample of 200 companies and found a strong relationship between risk analysis practices and financial performance metrics, such as return on assets and return on equity. The study revealed that organizations implementing proactive risk management strategies, including risk identification, assessment, and mitigation, outperformed their peers with higher profitability and liquidity ratios. Furthermore, the study emphasized the importance of integrating risk analysis into decision-making processes, enhancing firms' ability to respond to market uncertainties and capitalize on potential opportunities. These findings underline the significance of risk analysis in driving financial performance within the manufacturing sector.

In a different context, a study conducted by Johnson and Brown (2020) investigated the effect of risk analysis on the financial performance of investment portfolios. The researchers analyzed a dataset of diverse portfolios and found that portfolios with rigorous risk assessment frameworks exhibited higher risk-adjusted returns. The study highlighted the crucial role of risk analysis tools, such as value at risk (VaR) models and stress testing, in achieving superior financial performance for investors. Moreover, the research revealed that organizations employing sophisticated risk analysis techniques demonstrated better capital preservation during market downturns, thus improving long-term portfolio sustainability. These findings reinforce the importance of risk analysis in investment decision-making processes to optimize financial performance and mitigate potential losses.

One prominent study by Graham (2000) investigated the relationship between risk analysis and financial performance in banking institutions. The author found that a comprehensive risk assessment framework positively influenced banks' financial performance by reducing risks associated with loan default, credit risk, and market volatility. This study emphasized the importance of risk analysis tools and models for improving financial outcomes. Another significant research work by Coles, Loewenstein, and Suay (2020) delved into the impact of risk analysis in the context of capital investment decisions. Their study demonstrated that thorough risk analysis conducted before making investment choices positively influenced financial performance. It emphasized the role of risk analysis in optimizing resource allocation, reducing uncertainties, and enhancing return on investment.

A comprehensive review conducted by Smith and Johnson (2015) explored the broader effects of risk analysis on financial performance across various industries. They found that effective risk analysis frameworks enhanced decision-making processes and overall organizational performance. Additionally, they highlighted the importance of integrating risk analysis practices into strategic planning to mitigate potential risks and sustain financial success. One aspect that researchers have investigated is the impact of risk analysis on profitability. Wang and Li (2017) conducted a study on Chinese manufacturing firms and found that those who employed comprehensive risk analysis techniques experienced higher profitability compared to firms that did not prioritize risk analysis.

The influence of risk analysis on investment decision-making and firm value has also been explored. A study by Chen and Zhang (2018) investigated the effect of risk analysis on investment decisions in the technology industry. Their findings indicated that firms that utilized advanced risk analysis methods had more informed investment decisions, resulting in higher firm value. Additionally, Li and Xie (2020) analyzed the relationship between risk analysis practices and firm value in the pharmaceutical industry. They found that firms with effective risk analysis systems had higher market valuations due to reduced risk exposure. Similarly, the study by Ho (2019) examined the relationship between risk analysis and financial performance in the banking sector. It revealed that banks with robust risk analysis frameworks demonstrated better financial performance and had lower non-performing loans.

Several studies have explored the influence of risk analysis on financial performance and have highlighted its significance. Johnson and Sowers (2016) conducted a comprehensive analysis of risk management practices in the banking sector and found that organizations that actively utilized risk analysis techniques experienced improved financial performance. Similarly, Peterson et al. (2018) investigated the impact of risk analysis on corporate profitability and concluded that companies that effectively employed risk analysis methods demonstrated higher financial performance indicators such as return on assets (ROA) and return on equity (ROE). These findings suggest that a well-implemented risk analysis framework positively affects financial performance.

Several scholarly works have also focused on specific types of risk analysis techniques and their effects on financial performance. Chen and Lin (2017) examined the relationship between risk analysis and investment decision-making, concluding that businesses that incorporated sophisticated risk analysis models in their investment strategies achieved superior financial performance. Alotaibi et al. (2019) conducted a study on the impact of financial risk analysis on stock market performance and found that organizations with a robust risk analysis framework experienced less stock price volatility and higher stock returns. These studies emphasize the importance of implementing risk analysis techniques tailored to specific organizational needs and highlight the subsequent positive impact on financial performance.

2.3 Effect of response planning on financial performance

Response planning is a critical aspect of organizational management, particularly when confronted with unforeseen circumstances and challenges. The ability to adapt promptly and efficiently to external disruptions can have a significant impact on a company's financial performance. This literature review aims to provide an insight into the existing body of research surrounding the effect of response planning on financial performance. By reviewing previous studies and relevant empirical evidence, this review seeks to shed light on the relationship between response planning and financial outcomes.

Numerous studies have demonstrated the positive impact of response planning on financial performance. For instance, Smith and Johnson (2017) conducted a comprehensive empirical study on response planning within the manufacturing sector. Their results indicated that companies that implemented effective response planning strategies experienced reduced disruption to their operations, leading to enhanced financial performance. Similarly, Thompson et al. (2019) investigated the response planning practices of companies in the retail industry. They found that firms with well-developed response plans were better equipped to anticipate and mitigate risks, resulting in improved financial resilience and profitability. These findings suggest that response planning plays a vital role in protecting and enhancing a company's financial performance.

Response planning not only helps companies navigate unforeseen challenges but also contributes to proactive risk management. A study by Chen and Lewis (2018) focused on the relationship between response planning and financial risk mitigation. Their research showed that organizations with comprehensive response plans were better prepared to handle financial risks such as market fluctuations, credit defaults, and supply chain disruptions. Effective response planning enabled these firms to identify and minimize potential risks more efficiently, leading to superior financial performance. Furthermore, their findings highlighted the importance of integrating response planning into overall risk management strategies as an essential element of mitigating financial uncertainties.

Moreover, the literature suggests that the effectiveness of response planning depends on various factors, including organizational culture and leadership. For instance, Johnson et al. (2016) examined the influence of leadership on response planning and financial performance in the hospitality industry. Their study revealed that companies with strong leadership commitment and support for response planning exhibited better financial performance compared to organizations with weak leadership engagement. Similarly, a study by Brown and White (2019) emphasized the significance of fostering a culture that promotes proactive response planning. Organizations that prioritize response planning as part of their culture tend to enjoy higher financial performance due to their ability to effectively manage unexpected events.

Several studies highlight the importance of strategic response planning in achieving superior financial performance. For example, Wang and Bansal (2012) investigated the impact of different response strategies on organizational performance during a financial crisis. Their findings revealed that organizations with well-developed response plans were better able to navigate through turbulent times and outperform their peers. Similarly, Burgelman and Dacin (2011) emphasized the role of proactive response planning in maintaining financial performance. They argue that organizations that engage in anticipatory planning, scenario analysis, and adaptive strategies can effectively respond to environmental changes, which positively impacts profitability and shareholder value.

Apart from strategic response planning, operational response planning also influences financial performance. Collaborative efforts in response planning have received considerable attention. For instance, Lawton, Rayner, and Sapolsky (2011) conducted a study focusing on supply chain management. Their findings indicated that organizations that engage in collaborative response planning with suppliers and customers experience improved financial performance through enhanced operational efficiency, reduced costs, and increased customer satisfaction. Moreover, effective response planning contributes to agility and flexibility, enabling organizations to respond quickly and effectively to operational disruptions (Jiao et al., 2016). These studies collectively demonstrate the positive impact of operational response planning on financial performance.

Chentorn and Erdogan (2019) examined the role of information technology (IT) in response planning. Their study revealed that organizations that leverage advanced IT systems for real-time data analysis and decision-making are better positioned to respond quickly and effectively to market changes, leading to improved financial performance. Furthermore, Fu, Xie, and Du (2018) investigated the relationship between response planning process and financial performance. They found that organizations with well-defined and formalized response planning processes, supported by adequate resources and stakeholder involvement, reported better financial outcomes.

Response planning is a critical aspect of organizational management, as it enables companies to effectively navigate unexpected events and disruptions. The ability to respond promptly and strategically contributes directly to a firm's financial performance and overall success. This literature review aims to examine existing research on the effect of response planning on financial performance in order to gain insights into its importance and potential impact. By analyzing and of response planning on financial performance is not limited to the manufacturing sector. In the financial services industry, research by Patel and Desai (2019) demonstrated that banks with robust response plans were better equipped to handle unprecedented events such as economic crises. Their study revealed that banks with effective response planning exhibited higher profitability, greater risk management capabilities, and improved liquidity positions compared to those without comprehensive plans. Additionally, Chen and Yu (2017) investigated the impact of response planning on financial performance in the insurance sector. Their findings suggested that insurance companies with well-developed plans for handling catastrophic events experienced lower financial losses and higher customer retention rates, ultimately leading to better financial outcomes.

Research shows that organizations with robust response planning mechanisms tend to experience improved financial performance. According to Desender et al. (2017), firms that incorporate detailed response planning are better equipped to mitigate and recover from crises, leading to increased financial resilience. In their study of 214 manufacturing firms in the Netherlands, they found a positive relationship between response planning and financial performance, specifically in terms of higher profitability and reduced costs associated with disruptions.

Another study by Gaskell et al. (2018) conducted in the context of the global financial crisis provides further insights into the effect of response planning on financial performance. They analyzed data from 950 UK-based companies and found that firms with well-defined response plans were more likely to recover faster from the crisis and achieve higher post-crisis financial performance. The researchers proposed that response planning facilitated better decision-making during times of uncertainty, allowing organizations to adapt quickly and seize opportunities. This emphasizes the importance of proactive response planning in maintaining financial stability during turbulent times.

Furthermore, evidence suggests that response planning has a direct effect on financial performance through its impact on risk management. Quazi et al. (2019) investigated the relationship between risk management practices, response planning, and financial performance in the banking sector. Their study of 135 Australian banks revealed that organizations with strong response planning capabilities had lower levels of risk exposure, leading to better financial performance. They concluded that response planning, when integrated with effective risk management practices, provides a competitive advantage by minimizing the negative impact of risks on business operations and financial outcomes.

Response planning is a critical aspect of organizational management, particularly in uncertain and rapidly changing environments. Extensive research has been conducted to examine the relationship between response planning and financial performance across various industries. An early study by Taylor and Taylor (2004) found that organizations that engaged in comprehensive response planning were better equipped to manage and mitigate risks, resulting in improved financial performance. This finding was further supported by Jones et al. (2010), who emphasized the positive impact of response planning on financial performance, highlighting the importance of proactive measures in addressing potential threats. Therefore, it can be argued that effective response planning plays a pivotal role in safeguarding financial performance.

Chen et al. (2016) examined the impact of response planning on financial performance in the context of natural disasters. The findings revealed that organizations that had implemented robust response plans were more resilient in recovering from such crises and exhibited better financial outcomes compared to those with inadequate planning. This highlights the significance of response planning in mitigating the adverse effects of unforeseen events and ensuring sustained financial performance. Additionally, research by Smith and Johnson (2018) explored the relationship between response planning and financial performance in the context of cybersecurity incidents. Their findings indicated that organizations with well-designed response plans experienced fewer financial losses and quicker recovery periods, reinforcing the essential role of response planning in safeguarding financial resources.

Furthermore, it is important to consider the role of technology in facilitating effective response planning and its subsequent impact on financial performance. Research by Li et al. (2019) examined the influence of digital platforms on response planning and financial performance in the retail industry. The study found that organizations that utilized technology-driven response planning tools achieved greater efficiency and accuracy in their response strategies, leading to improved financial performance. Similarly, Zhang et al. (2020) investigated the impact of data analytics on response planning and financial performance in the banking sector. Their findings highlighted that organizations that leveraged data analytics for response planning experienced enhanced decision-making capabilities, resulting in superior financial performance. These studies suggest that incorporating technological advancements can significantly enhance the effectiveness of response planning and subsequently impact financial performance in a positive manner.

Research by Smith (2016) found that organizations with well-developed response planning strategies experienced higher financial performance compared to those with limited or reactive planning approaches. Their study, which surveyed firms in the manufacturing sector, demonstrated that businesses with proactive response planning were better positioned to capitalize on market opportunities, mitigate risks, and drive profitability. Moreover, a meta-analysis conducted by Jones et al. (2018) across multiple sectors corroborated these findings, indicating a positive relationship between response planning and financial indicators such as return on assets, return on equity, and market share.

The level of response planning sophistication and the involvement of various organizational members are important factors in determining financial performance. Research by Chen et al. (2019) examined the impact of integrated response planning, involving cross-functional teams, on financial performance in the retail industry. Their study revealed that organizations with integrated response planning processes exhibited superior financial outcomes, including increased sales revenue and greater cost efficiencies. The findings underscore the importance of collaborative efforts, coordination, and communication among departments to enhance the effectiveness of response planning and subsequently drive financial performance.

In addition to quantitative studies, qualitative research has provided valuable insights into the effect of response planning on financial performance. Work by Johnson and Brown (2017), utilizing in-depth interviews with senior executives in the telecommunications industry, shed light on the underlying mechanisms through which response planning positively influences financial performance. Their findings emphasized the importance of agility, adaptability, and anticipation in response planning, suggesting that firms with forward-looking strategies achieved better financial outcomes. The study also highlighted the role of leadership in creating a supportive organizational culture that encourages proactive response planning, ultimately leading to improved financial performance.

Several studies have highlighted the positive relationship between response planning and financial performance. For instance, McKinsey & Company's research (Dobbs et al., 2013) emphasizes the value of proactive response planning in mitigating the negative impact of disruptions and enhancing financial performance. Similarly, Wagner and Bode (2008) argue that effective response planning improves an organization's ability to adapt to dynamic market conditions and capitalize on opportunities. They further suggest that superior response planning can positively influence financial metrics such as profitability, return on assets, and market share. These studies highlight the importance of response planning as a strategic tool for enhancing financial performance. In addition to the direct impact on financial metrics, response planning has been shown to positively influence other factors that contribute to financial performance. The work of Liao and Wong (2020) demonstrates that response planning enhances organizational agility and flexibility, allowing firms to respond proactively to market shifts and align their operations accordingly.

2.4 Research gap

The researcher aims to bridge several critical gaps in the existing literature surrounding the relationship between risk management practices and financial performance within organizations. Firstly, the study intends to investigate how the process of risk identification influences financial performance by providing a comprehensive analysis of the impact of effectively identifying and recognizing risks on the bottom line of businesses. Secondly, the research seeks to explore the effects of risk analysis on financial performance, shedding light on how in-depth risk assessment and evaluation contribute to improved financial outcomes. Lastly, the study aims to examine the influence of response planning on financial performance by delving into how organizations' strategies for mitigating risks and responding to potential threats affect their overall financial health. By addressing these gaps, the research endeavors to provide valuable insights into the importance of robust risk management practices in enhancing financial performance within organizations.

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

The researcher used a descriptive design basing on the use of qualitative and quantitative approaches sanctioned to investigate on risk management and financial performance of commercial banks. The study was focused on exploratory research design, since little is known about the phenomenon in question descriptive design, 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 (2024) describe population as all the elements that meet criteria for inclusion in a study. The study involved a population of 75 respondents to represent the entire population of Stanbic bank Mbale branch of different departments whom which comprised of branch managers, branch officers, loans officers; human resource manager, clients, and auditors, all were respondents from Stanbic bank Mbale branch.

3.3 Sample size and Sampling procedures

3.3.1 Sample size

Eisenhardt, K.M. (2019) articulated a sample size as a proportion of a population. The sample was selected from the Stanbic bank Mbale branch which included branch managers, branch accounts, loans officers; human resource manager, clients, and auditors. Sample size was important in determining the accuracy and finding reliability of a survey. In the sample size determination (the selection method of choosing the number of observations to include in the sample) was an important feature of any empirical study.

The researcher used the formula of Slovenes (1960) which include;

$$n = \frac{N}{1 + N(e)^2}$$

Where;

n is the sample size

N is the whole population

1 is the constant

e^2 error in sampling (0.05)

$$n = \frac{75}{1 + 75(0.05)^2} = \frac{75}{1 + 75(0.0025)} = \frac{75}{1 + 0.1875}$$

$$= \frac{75}{1.1875}$$

$n = 63$ respondents

Table 1: showing the sample size, sampling procedures and research methods

Respondents	Population	Sample size	Sampling procedures
Branch manager	1	1	Purposive sampling
Accountants	5	4	Purposive sampling
Secretaries	4	3	Purposive sampling
Human resource manager	1	1	purposive sampling
Auditors	2	1	Purposive sampling
Stake holders	48	43	Simple random sampling
Opinion leaders	14	10	Purposive sampling
Total	75	63	

Source: Primary data (2024)

3.3.2 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:

Purposive sampling

This is where the sample is chosen due to their expertise on the problem under study (Hayes, R. 2005). The study used purposive sampling procedure targeting the key information with the experience of the secretaries, auditors, general manager among others.

Simple random sampling

Mugenda (2003), 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 stakeholders.

3.4 Sources of Data

According to Baire, W. (2017), data is about raw 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 is used to collect data (Dilworth 2018). The researcher basically was 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 stanbic bank Mbale 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 uses 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.

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 interpreted as stated by George and Mallery (2003). The formulae contended by George and Mallery (2003) is what the researcher used to test the content validity index (CVI).

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 asked prerogative questions to the respondents especially questions concerning private life and even those which dig down the respondent’s dignity.

Participants in a study were 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.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION OF FINDINGS

4.0 Introduction

This chapter presents the findings on effect of risk management on financial performance of commercial banks in Uganda. The researcher carried out this study with the aim of providing answers to the questions using the methodology described in chapter three.

4.1 Response rate

The sample size of the population was 63. Questionnaires were designed distributed to 63 respondents and were wholly answered. This implies that the response rate was excellent.

4.2 Bio Data

These findings explain the feedback of the respondents during the research activity for both male and female respondents.

4.2.1 Gender of respondents

Table 2: showing the Gender of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Male	20	32.0	32.0	32.0
Valid Females	43	68.0	68.0	100.0
Total	63	100.0	100.0	

Source: primary data (2024)

The Table 2 above shows that, 32% were male, while 68% were female. This implies that the views of females were more represented in the study findings than those of the males and it also implies that the study involved more females with 68% than males at 32% at Stanbic bank Mbale branch.

4.2.2 Marital Status of Respondents

Table 3: showing marital status of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Single	12	19.0	19.0	19.0
Married	30	48.0	48.0	67.0
Valid Divorced	8	13.0	13.0	80.0
Widowed	13	20.0	20.0	100.0
Total	63	100.0	100.0	

Source: Primary data (2024)

With reference to table 5 above indicates that out of total sample of the study; 19% were single, 48% were married, 13% divorced, and 20% were widowed .this implies that Stanbic bank Mbale branch employs the majority of its employees who are married with 48% which shows that they are responsible enough to carry out the tasks being assigned to which can improve on the performance of the entity.

4.2.3 Age of Respondents

Table 4: showing Age group of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
21-30 years	12	19.0	19.0	19.0
31-40 years	22	35.0	35.0	54.0
Valid 41-50 years	10	16.0	16.0	70.0
Above 50 years	19	30.0	30.0	100.0
Total	63	100.0	100.0	

Source: Primary data (2024)

With reference to table 3 above indicates that out of total sample of the study; 19% lie between the age of 21-30 years ,35% make it to the age of 31-40 years ,16% lie between the age of 41-50 years ,and above the age of 50 years constituted 30%. This indicates that the majority of respondents were mature and the knowledge enough to give the required data.

4.2.4 Years of working

Table 5: showing years of working by respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Less than 1 year	15	24.0	24.0	24.0
Valid 1-2 years	38	60.0	60.0	84.0
Above 3 years	10	16.0	16.0	100.0
Total	63	100.0	100.0	

Source: Primary data (2024)

Table 4.5 above shows that 24%, 60%, and 16%, correspond to less than 1 year, 1-2 years, and above 3 years respectively, this however implies that Stanbic bank Mbale branch employs

experienced workers who have had reasonable numbers of years of experience with 40% such that the goals formulated by the entity can be achieved well besides this it also implies that majority of the respondents had served for a considerable period which indicates that most of the respondents had vast knowledge which could be relied upon by this study.

4.2.5 Qualification of Respondents

Table 6: Showing academic qualification of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Primary	11	17.0	17.0	17.0
Secondary	8	13.0	13.0	30.0
Tertiary	25	40.0	40.0	70.0
University	14	22.0	22.0	92.0
Diploma	5	8.0	8.0	100.0
Total	63	100.0	100.0	

Source: primary data (2024)

The 4 above shows that out of total sample of the study; 17%, 13%, 40% ,22% and 8% correspond to primary, secondary, tertiary, university and certificate respectively. This indicates that all people who are engaged in coffee processing in Stanbic bank Mbale branch have attained certain level of education with the majority of the respondents corresponding to 40% who are mainly of tertiary level.

4.3.0 Research question one: Finding out on effect of risk identification on financial performance of Stanbic bank Mbale branch

Table 7: Showing the effect of risk identification on financial performance of Stanbic bank Mbale branch

STATEMENT	SA		A		NS		SD		D		Mean	Std. Deviation
	<i>f</i>	%	<i>f</i>	%	<i>f</i>	%	<i>f</i>	%	<i>f</i>	%		
Your staff ensures that all potential project risks are identified	19	30.0	15	24.0	11	17.0	6	10.0	12	19.0	1.681	0.892
You improve the chances of project success	3	5.0	9	14.0	4	6.0	18	29.0	29	46.0	2.116	1.136
You provide information for the next step of the risk management process	7	11.0	14	22.0	8	13.0	20	32.0	14	22.0	2.967	1.262
employees always brainstorm the probability of various catastrophic events	21	33.0	18	29.0	10	16.0	2	3.0	12	19.0	3.317	1.421
Careers in safety management often entail planning for the worst while expecting the best	30	48.0	8	13.0	9	14.0	14	22.0	2	3.0	2.967	1.377
Average											2.610	1.218

Source: Primary data (2024)

Standard deviation means square root of the variance, which is the average of the squared differences from the mean

Mean describes the mathematical average

Table 7 above indicates that 30% strongly agreed and 24% agreed with the statement that employees ensure all potential project risks are identified. Conversely, 10% disagreed, 19% strongly disagreed, and 17% were not sure. This suggests that a majority believed that employees were proactive in risk identification. The diversity in opinions was supported by the Branch Manager, who commented that,

"...Risk identification is a critical part of our operations. While some employees may overlook certain risks, we continuously train and emphasize the importance of comprehensive risk assessment to mitigate any potential impact on our financial performance." The mean of 1.681 and a standard deviation of 0.892 highlighted the varying levels of agreement among respondents, indicating a general consensus, though with some differing views on the effectiveness of risk identification practices.

The survey results also indicated that 5% of respondents strongly agreed that risk identification improves the chances of project success, while 14% agreed with this statement. Conversely, a significant portion of respondents expressed disagreement, with 29% disagreeing and 46% strongly disagreeing. Additionally, 6% of the respondents were uncertain about the impact of risk identification on project success. These findings suggest a mixed perception of the effectiveness of risk identification in enhancing project success and, by extension, financial performance. The results align with Van der Stede's (2000) research, which also found that respondents were skeptical about the impact of risk identification on improving project outcomes. This implies that a substantial number of respondents do not believe that enhancing risk identification practices alone significantly contributes to the success of projects or the overall financial performance of the bank.

The data indicated that a minority of respondents, 11% strongly agreed and 22% agreed that they provided information for the next step of the risk management process. However, 32% disagreed, 22% strongly disagreed, and 13% were unsure, reflecting a prevalent perception that respondents did not effectively contribute to advancing the risk management process. This concern was echoed by an Accountant who noted that,

".....There appeared to be a disconnect between identifying risks and taking actionable steps to address them. While some staff recognized the risks, there was often a lack of clear

communication and follow-through, which hampered the ability to manage these risks effectively." This response revealed the need for improved communication and systematic follow-up in the risk management process to enhance overall financial performance.

It was observed that a majority of the respondents, 33% strongly agreed and 29% agreed with the statement that employees always brainstorm the probability of various catastrophic events. In contrast, 3% disagreed, 19% strongly disagreed, and 16% were unsure. This finding aligns with Hindorf (2001), who emphasized that employees consistently brainstorm the probability of various catastrophic events. A Human Resource Manager supported this observation, stating that, *"We prioritize regular brainstorming sessions as part of our risk management strategy. These discussions help us anticipate potential catastrophic events and develop contingency plans. It's a crucial aspect of our organizational culture that ensures we are prepared for any unforeseen challenges."* This response further shows the importance of proactive risk assessment within the organization.

Furthermore, it was found that 48% of respondents strongly agreed and 13% agreed with the statement that careers in safety management often entail planning for the worst while expecting the best. On the other hand, 22% disagreed, 3% strongly disagreed, and 14% were unsure, indicating a mix of opinions on the matter. However, these findings align with research by Watson (2000), which noted that careers in safety management typically involve planning for the worst while expecting the best. This perspective was echoed by a Stakeholder, who remarked, *"In safety management, we are constantly preparing for potential risks. Our goal is to mitigate any negative outcomes while still hoping for the best possible scenario. This mindset is fundamental to our approach in ensuring safety across all operations."* This response underscores the critical nature of thorough planning in safety management roles.

4.2.6 Regression analysis to establish the effect between the study variables

For the objectives of this study to be fulfilled, regression analysis using SPSS version 23.0 was undertaken in order to investigate on the effect of risk management on financial performance of commercial banks in Uganda. In this analysis, a simple regression analysis was utilized and all independent and dependent variables were entered in the model at the same time. But for the regression analysis to give valid results, some key assumptions had to be satisfied. In this analysis, Variance Risk Management Factor (VRMF) was used to ensure that the assumption of

reasonable differences of the independent variables was satisfied. These were all below the threshold of 10. In addition, the assumption of normality of residuals was satisfied and the residuals were normally distributed.

4.2.7 Regression analysis for the effect of risk identification on financial performance of Stanbic bank Mbale branch.

In order to address the first objective of the study, a regressive analysis was done to identify the effect of risk identification on financial performance of Stanbic bank Mbale branch. The results from analysis are presented in the model summary and coefficients tables below.

Table 8: showing regression model summary and coefficients for the risk identification on financial performance of Stanbic bank Mbale branch R2

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F-statistic
1	.332 ^a	.110	.096	.553	5.693

a. Predictors: (Constant), Risk identification

R it means correlation between the two variables which are risk identification and financial performance the study revealed R of .332. R² Indicates coefficient correlation of the two variables risk identification and financial performance which is R² .110

Analysis in the model summary reveals R Square = 0.110 (0.110× 100 = 11.0%) which indicates strong positive effect of risk identification on financial performance at Stanbic Bank. Thus, R Square indicates a good financial performance as a result of Risk identification. In terms of percentage of variation in financial performance as explained by the Risk identifications, the findings reveal that Risk identifications contributed to 11% of the variation in financial performance as explained by R square of .110 which shows that the model is the good prediction. Thus, it can be deduced from the model summary that Risk identifications explains 0.110 or 11.0% percent of the financial performance while 89 percent is explained by other factors beyond Risk identification.

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	Sig.
	B	Std. Error	Beta	
1 (Constant)	4.615	.301		.000
Risk identification	.153	.091	.132	.007

a. Dependent Variable: Financial performance

Source: Primary data (2024)

From the Table 8 showing the model summary statistics above, a p-value = 0.007 that is greater than 5% level of insignificance Coefficients indicates that risk identification positively (Beta=0.132) predicts the financial performance and effect is insignificant at p-value < 0.05.

4.4.0 Research question two: Finding out the effect of risk analysis on financial performance of Stanbic bank Mbale branch.

Table 9: Showing the relationship between effects of risk analysis on financial performance of Stanbic bank Mbale branch

STATEMENT	SA		A		NS		SD		D		Mean	Std. Deviation
	f	%	f	%	f	%	f	%	f	%		
You anticipate and reduce the effect of harmful results from adverse events	22	35.0	13	21.0	2	3.0	20	31.0	6	10.0	2.250	1.230
You are in position to evaluate whether the potential risks of a project are balanced by its benefits.	21	33.0	30	47.0	8	13.0	1	2.0	3	5.0	2.000	.974
Your staff take the guesswork out of managing risk-related issues	4	6.0	9	14.0	15	24.0	27	43.0	8	13.0	1.750	.950
Yours staff determine new security requirements	16	25.0	20	32.0	6	10.0	8	13.0	13	20.0	1.867	.676
You identify the impact and the preparation of the changes in the environment of the enterprise	22	35.0	10	16.0	6	10.0	14	22.0	11	17.0	3.133	3.605

Source: Primary data (2024)

With reference to table 9 above, it can be seen that 35% strongly agreed, 21% Agreed to the statement that respondents anticipate and reduce the effect of harmful results from adverse

events, 31% Disagreed, 10% strongly disagreed to the same statement while 3% of the respondents were not. These findings were in line with Wallitsch (2007) argues that respondents anticipate and reduce the effect of harmful results from adverse events there by implying that respondents anticipate and reduce the effect of harmful results from adverse events.

However 33% strongly agreed, 47% Agreed to the statement that respondents are in position to evaluate whether the potential risks of a project are balanced by its benefits, 2% Disagreed, 5% strongly disagreed to the same statement while 13% of the respondents were not sure. This concurs with the research carried out by Kannan (2004) affirmed that respondents are in position to evaluate whether the potential risks of a project are balanced by its benefits implying that respondents are in position to evaluate whether the potential risks of a project are balanced by its benefits.

It can also be seen that it can be seen that 6% strongly agreed, 14% Agreed to the statement that employees take the guesswork out of managing risk-related issues, 43% Disagreed, 13% strongly disagreed to the same statement and 24% of the respondents were not sure. This is an indication that employees do not take the guesswork out of managing risk-related issues.

When asked whether employees determine new security requirements, it can be seen that 25% strongly agreed, 32% Agreed to the statement, 10% of the respondents were not sure while 13% Disagreed, 20% strongly disagree to the same statement making the minority of the respondents. This is an indication that employees determine new security requirements.

It can also be observed that 35% strongly agreed, 16% Agreed to the statement that respondents identify the impact and the preparation of the changes in the environment of the enterprise, 22% Disagreed, 17% strongly disagreed to the same statement while 10% of the respondents were not sure. These findings were in line with Girma (2004) stressed out that respondents identify the impact and the preparation of the changes in the environment of the enterprise. This is an indication that respondents identify the impact and the preparation of the changes in the environment of the enterprise.

4.3.6 Regression Analysis for the effect of risk analysis on financial performance of Stanbic bank Mbale branch.

For analysis of the effect of risk analysis on financial performance of Stanbic bank Mbale branch, the independent variable was conceptualized in terms of risk analysis and for the study to achieve its one of the objectives; risk analysis was regressed to determine its effect on financial performance. The results from analysis are presented in the model summary and coefficients tables below.

Table 10: Regression model summary and coefficients for the effect of risk analysis on financial performance of Stanbic bank Mbale branch

Model summary

Model	R	R Square	Adjusted R Square	F-Statistic	Std. Error of the Estimate
1	.304 ^a	.092	.077	9.421	.464

a. Predictors: (Constant), Risk analysis

The model summary reveals that the R Square value is 0.092, meaning that risk analysis accounts for 9.2% of the variation in financial performance at Stanbic Bank Mbale branch. This indicates that while risk analysis has a positive effect on financial performance, the effect is relatively modest. In terms of the percentage of variation explained, risk analysis contributes to 9.2% of the variation in financial performance, not 11% as previously stated. The remaining 90.8% of the variation in financial performance is due to other factors not included in this model. Thus, it can be deduced from the model summary that risk analysis explains 9.2% of the financial performance, while 90.8% is influenced by other factors beyond risk analysis.

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	2.892	.325		.000
	Risk analysis	.224	.089	.304	.015

a. Dependent Variable: Financial performance

Source: primary data, (2024)

From the tables 10 showing the model summary statistics above, a p-value = 0.015 that is less than 5% level of significance indicates that risk analysis positively (Beta=0.224) predicts the financial performance and effect is significant at p-value < 0.05.

4.4.0 Research question three: Finding out the effect of response planning on financial performance of Stanbic bank Mbale branch

Table 11: Showing the effect of response planning on financial performance of Stanbic bank Mbale branch

STATEMENT	SA		A		NS		SD		D		Mean	Std. Deviation
	f	%	f	%	f	%	f	%	f	%		
Your staff ensures that identified risks are properly addressed	5	8.0	13	21.0	7	11.0	18	29.0	20	31.0	2.350	1.448
You determine actions to enhance opportunities and reduce threats to the project`s objectives	24	38.0	15	24.0	11	17.0	4	6.0	9	15.0	2.383	1.993
Your staff are appropriate to the severity of the risk	14	22.0	18	29.0	10	16.0	8	14.0	12	19.0	2.267	1.260
Failure in strictly applying the law	34	54.0	13	21.0	1	2.0	11	17.0	3	6.0	2.667	1.130
Lack of public and staff education about disaster risks	27	43.0	15	25.0	8	13.0	10	16.0	19	3.0	2.367	1.823

Source: Primary data 2024

With reference to Table 11, it was observed that 8% of respondents strongly agreed, and 21% agreed with the statement that employees ensure identified risks are properly addressed. However, 29% disagreed, and 31% strongly disagreed with the same statement, while 11% of the

respondents were not sure. This aligns with Mureithi's (2008) research, which stated that employees should ensure identified risks are properly addressed. The implication here is that employees may not be effectively ensuring that identified risks are properly addressed.

Additionally, it was observed that 38% of respondents strongly agreed, and 24% agreed with the statement that actions were determined to enhance opportunities and reduce threats to the project's objectives. In contrast, 6% disagreed, and 15% strongly disagreed with this statement, while 17% were not sure. This concurs with Wrigley's (2008) research, which stressed the importance of determining actions to enhance opportunities and reduce threats, implying that respondents are taking appropriate actions.

When asked whether employees were appropriate to the severity of the risk, 22% strongly agreed, and 29% agreed, while 14% disagreed, and 19% strongly disagreed with the statement; 16% were not sure. These findings align with Danida's (2012) assertion that employees must be appropriate to the severity of the risk, indicating that respondents generally believe employees are managing risk severity appropriately.

Furthermore, 54% of respondents strongly agreed, and 21% agreed with the statement that there is a failure in strictly applying the law. In contrast, 17% disagreed, and 6% strongly disagreed, with 2% of respondents unsure. This finding is consistent with Várzea's (2005) research, which pointed out the issue of failure in law application, suggesting a significant concern in this area.

Lastly, 43% of respondents strongly agreed, and 25% agreed with the statement that there is a lack of public and staff education about disaster risks. However, 16% disagreed, and 3% strongly disagreed, while 13% were unsure. This implies a recognized deficiency in public and staff education on disaster risks, as highlighted by the majority of respondents.

4.4.6 Regression Analysis for the effect of response planning on financial performance of Stanbic bank Mbale branch.

In order to analyze the effect of response planning on financial performance of Stanbic bank Mbale branch, the independent variable was conceptualized in terms of response planning and for the study to achieve its objectives; regression analysis to assess its effect on financial performance was performed using SPSS. The results from analysis were presented in the model summary and coefficients tables below.

Table 12: Showing regression model summary and Coefficients for the effect of response planning on financial performance of Stanbic bank Mbale branch.

Model Summary

Model	R	R Square	Adjusted R Square	F-Statistic	Std. Error of the Estimate
1	.194 ^a	.037	.021	8.642	.588

a. Predictors: (Constant), Response planning

The model summary reveals that the R Square value is 0.037, indicating that response planning explains 3.7% of the variation in financial performance at Stanbic Bank Mbale branch. This suggests that while response planning has a positive impact on financial performance, the effect is relatively small. The remaining 96.3% of the variation in financial performance is attributed to other factors not accounted for in this model. The Adjusted R Square value of 0.021 further supports the modest effect of response planning on financial performance, showing that even after adjusting for the number of predictors in the model, the explanatory power remains low.

Therefore, response planning contributes to 3.7% of the financial performance variation at Stanbic Bank Mbale branch, while 96.3% of the variation is due to other factors beyond response planning.

Coefficients^a

Model		Un standardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	3.356	.374	.114	.000
	Response planning	.091	.100		.169

a. Dependent Variable: Financial performance

Source: primary data, (2024)

From the table 12 showing the model summary statistics above, a p-value = 0.169 that is more than 5% level of significance indicates that response planning (Beta=0.091) predicts and affects their financial performance. However, its effect is insignificant at p-value > 0.05.

CHAPTER FIVE

DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

In this chapter the researcher gives a summary of findings, conclusions and recommendation in line with the research questions and objectives.

5.1 Summary of findings.

The researcher provided a summary of findings in line with the objectives as follows;

5.1.1 Research Question one: Findings on the effect of risk identification on financial performance of Stanbic bank Mbale branch.

The study investigated the effect of risk identification on the financial performance of Stanbic Bank Mbale branch. Results from the descriptive statistics indicated that most respondents were positive towards the statements they were asked. For example, the majority of respondents, constituting 30%, strongly agreed, and 24% agreed with the statement that employees ensured all potential project risks were identified. Additionally, 33% strongly agreed, and 29% agreed with another statement, while 48% strongly agreed, and 13% agreed that careers in safety management often entailed planning for the worst while expecting the best.

Conversely, 29% disagreed, and 46% strongly disagreed with the statement that respondents improved the chances of project success. Similarly, 32% disagreed, and 22% strongly disagreed with the statement that respondents provided information for the next step of the risk management process. Overall, most responses were positive, indicating that risk identification had a significant effect on the financial performance of Stanbic Bank Mbale branch.

5.1.2 Research Question two: Findings on the effect of risk analysis on financial performance of Stanbic bank Mbale branch.

The study investigated the effect of risk analysis on the financial performance of Stanbic Bank Mbale branch. Results from the descriptive statistics indicated that the majority of respondents, 35%, strongly agreed, and 21% agreed with the statement that they anticipated and reduced the effect of harmful results from adverse events. Additionally, 33% strongly agreed, and 47% agreed that they were in a position to evaluate whether the potential risks of a project were balanced by its benefits. It was also observed that 25% strongly agreed, and 32% agreed that employees determined new security requirements, while 35% strongly agreed, and 16% agreed with the statement that respondents identified the impact and preparation for changes in the enterprise's environment. However, 43% disagreed, and 13% strongly disagreed with the statement that employees took the guesswork out of managing risk-related issues. Overall, most responses were positive, indicating that risk analysis had a significant effect on the financial performance of Stanbic Bank Mbale branch.

5.1.3 Question three: Findings on the effect of response planning on financial performance of Stanbic bank Mbale branch.

Results according to the descriptive statistics revealed that 22% strongly agreed, and 29% agreed with the statement that employees were appropriately addressing the severity of risks. Additionally, 54% strongly agreed, and 21% agreed that there was a failure in strictly applying the law. Furthermore, 43% strongly agreed, and 25% agreed with the statement that there was a lack of public and staff education about disaster risks, while 38% strongly agreed, and 24% agreed that respondents were determining actions to enhance opportunities and reduce threats to the project's objectives.

On the other hand, 29% disagreed, and 31% strongly disagreed with the statement that employees ensured identified risks were properly addressed. Overall, most responses were positive, indicating that response planning had a significant effect on the financial performance of Stanbic Bank Mbale branch.

5.2 Conclusion

Basing on the results of the first objective, it can be concluded that risk identification has a significant effect on financial performance of Stanbic bank Mbale branch. Therefore should be enhanced by; establishing a comprehensive risk management policy and framework that defines roles, responsibilities, and processes for identifying, assessing, and managing risks. Conduct regular and systematic risk assessments to identify potential risks. This includes scenario analysis, stress testing, and sensitivity analysis. Involve employees at all levels, customers, suppliers, and other stakeholders in the risk identification process to gather diverse perspectives and insights. Establish continuous risk monitoring systems and regular reporting mechanisms to track emerging risks and respond promptly.

Basing on the results of the second objective, it can be concluded that risk analysis has a significant effect on financial performance of Stanbic bank Mbale branch. This can be enhanced by implementing an enterprise-wide risk management framework with clear policies, procedures, and responsibilities for systematic risk analysis. Conduct scenario analysis and stress testing to assess the impact of different risk scenarios on the organization's operations and financial health. Implement systems for real-time monitoring of risk indicators to quickly identify and respond to emerging risks. Establish cross-functional risk committees to bring diverse perspectives and expertise to the risk analysis process. Provide ongoing training and awareness programs to ensure employees understand risk management processes and their roles in identifying risks

It can also be concluded basing on objective three that response planning has a significant effect on financial performance of Stanbic bank Mbale branch. This can be enhanced by creating detailed response plans for various types of crises and emergencies, including natural disasters, cyber-attacks, and operational disruptions. Conduct regular training sessions and simulation drills to ensure that all employees are familiar with response protocols and can act quickly and effectively during an emergency. Implement advanced communication tools and technologies to facilitate real-time information sharing and coordination during a crisis. Ensure that response plans are aligned with financial goals, considering the financial impact of potential crises and incorporating risk mitigation strategies into financial planning.

5.3 Recommendations

Based on the findings, it is recommended that Stanbic Bank Mbale branch enhances its risk identification practices to improve financial performance. The relatively low mean scores for identifying potential project risks (mean = 1.681) and improving project success (mean = 2.116) indicate the need for a more structured approach. The bank should implement standardized risk assessment tools, integrate risk management into early project planning stages, and provide additional training to staff on the importance of effective risk identification. Furthermore, fostering a proactive risk management culture will ensure that employees anticipate and mitigate risks more effectively, ultimately leading to better project outcomes and financial performance.

It is recommended that Stanbic Bank Mbale branch strengthens its risk analysis practices to enhance financial performance. The relatively low mean scores for anticipating and reducing the effects of adverse events (mean = 2.250) and evaluating whether potential risks are balanced by project benefits (mean = 2.000) suggest a need for improvement in these areas. The bank should focus on enhancing staff capabilities in evaluating and balancing risks against benefits, as well as implementing systematic approaches to managing risk-related issues, given the low mean scores for taking guesswork out of risk management (mean = 1.750) and determining new security requirements (mean = 1.867). By providing targeted training and adopting more rigorous risk analysis frameworks, the bank can better anticipate and mitigate potential risks, leading to improved financial outcomes.

There is need to create detailed response plans for various types of crises and emergencies, including natural disasters, cyber-attacks, and operational disruptions. Conduct regular training sessions and simulation drills to ensure that all employees are familiar with response protocols and can act quickly and effectively during an emergency. Implement advanced communication tools and technologies to facilitate real-time information sharing and coordination during a crisis. Ensure that response plans are aligned with financial goals, considering the financial impact of potential crises and incorporating risk mitigation strategies into financial planning. Focus on talent development and retention to build a skilled and motivated workforce that can drive financial performance. Improve cash flow management by streamlining accounts receivable and payable processes, managing inventory effectively, and reducing debt levels.

5.4 Areas of further research

Further research can be done on;

- i. The effect of Comprehensive Risk Management on Financial Performance in the Banking Sector
- ii. Technological Innovations in Risk Management and Their Impact on Financial Performance
- iii. Explore the influence of microfinance activities on the financial performance and risk management practices of commercial banks like Stanbic Bank Mbale branch.
- iv. Future research should consider extending the study duration and increasing the sample size to capture more comprehensive data.

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APPENDIX: I
QUESTIONNAIRE

Dear respondent;

I am Nadunga Irene carrying out research on the topic “Risk management and financial performance of commercial banks.” as a partial fulfillment for the award of bachelors degree of business administration at Uganda Christian University .The questionnaire is designed to help me collect relevant information and therefore I kindly request you to participate in responding to the questions that will be asked .However the information given will be treated confidential and will only be used for academic purpose.

SECTION 1: DEMOGRAPHIC DATA

(Tick in the box provided)

1. Gender distribution of the respondent

a) Male b) Female

2. Marital status of the respondent

a) Single b) Married Divorced Widowed

3. Age bracket of the respondent (years)

a) 20-30 b) 31-40 c) 41-50 C) 60 and above

4. Academic qualification of respondent

a) Secondary b) Certificate c) Diploma d) Bachelors’ Masters

5. Years of working by the respondents.

a) Less than 1 year b) 1-2 years c) 3 years and above

Section A: Risk identification

This section aims at assessing the effect of risk identification on financial performance of Stanbic bank Mbale branch. Please indicate your opinion on the following statements using the Linkert scale. Key: **A= agree, SA= strongly agree; NS= not sure; D= disagree; SD= strongly disagree.**

No	Statements	A	SA	NS	D	SD
1	Your staff ensures that all potential project risks are identified					
2	You improve the chances of project success					
3	You provide information for the next step of the risk management process					
4	Your staff always brainstorm the probability of various catastrophic events					
5	Careers in safety management often entail planning for the worst while expecting the best					

Section B: Risk Analysis

This section aims at determining the effect of risk analysis on financial performance of Stanbic bank Mbale branch. Please indicate your opinion on the following statements using the Linkert scale. Key: **A= agree, SA= strongly agree; NS= not sure; D= disagree; SD= strongly disagree.**

No	Statements	A	SA	NS	D	SD
1	You anticipate and reduce the effect of harmful results from adverse events					
2	You are in position to evaluate whether the potential risks of a project are balanced by its benefits					
3	Your staff take the guesswork out of managing risk-related issues					
4	Yours staff determine new security requirements.					
5	You identify the impact and the preparation of the changes in the environment of the enterprise					

Section B: Response planning

This section aims at analyzing the effect of response planning on financial performance of Stanbic bank Mbale branch. Please indicate your opinion on the following statements using the Linkert scale. Key: **A= agree, SA= strongly agree; NS= not sure; D= disagree; SD= strongly disagree.**

No	Statements	A	SA	NS	D	SD
1	Your staff ensures that identified risks are properly addressed					
2	You determining actions to enhance opportunities and reduce threats to the project`s objectives					
3	Your staff are appropriate to the severity of the risk					
4	Failure in strictly applying the law					
5	Lack of public and staff education about disaster risks					

Section 3: Financial performance

This section aims at establishing the indicators of financial performance. Please indicate your opinion on the following statements using the Linkert scale. Key: **1= Agree; 2= strongly Agree; 3= not sure; 4= Disagree; 5= strongly disagree.**

No	Statements	A	SA	NS	D	SD
1	Bank profits have increased.					
2	The loan to asset ratio of the bank increased.					
3	The working capital and liquidity have increased.					
4	The bank has been able to manage its risks.					
5	Customers retention and loyalty is stable					

APPENDIX: II
INTERVIEW GUIDE

1. Can you describe the process your organization follows to identify and assess risks?
2. How do you quantify the impact of identified risks on the financial performance of your bank?
3. Have you observed any direct correlations between the effectiveness of risk identification and your financial performance?
4. How often do you update your risk identification techniques and tools to stay relevant in a changing business landscape?
5. Can you provide any specific examples where improved risk identification led to better financial outcomes for your organization?
6. What methodologies or tools does your company use to analyze risks and their potential impact on financial performance?
7. How do you integrate the results of risk analysis into your financial decision-making processes?
8. Have you seen a measurable difference in financial performance as a result of more sophisticated risk analysis methods?
9. How do you ensure that risk analysis remains updated and aligned with the evolving risks faced by your organization?
10. you share any instances where a comprehensive risk analysis positively affected your company's financial performance?
11. How does your organization develop response plans to mitigate identified risks?
12. In your experience, how does the responsiveness and efficiency of your response planning impact financial performance?
13. Have you encountered any situations where effective response planning significantly influenced financial outcomes?
14. How do you measure the success of your response plans in preserving financial performance?
15. What strategies do you employ to continuously enhance your response planning processes for better financial resilience?



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Academic Registrar office

To MANAGER
STANBIC BANK

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 FOR STANBIC BANK UGANDA
 MBALE BRANCH
28 Feb 2024
 Team Leader Service Consultants

Dear Sir/Madam,

Re: Academic Research

Christian greetings!

We are honored to introduce to you Mr. Mrs./Miss NANUNGA IRENE
 Of Registration Number; WS21/MUC/BBA/032 pursuing a Masters' Degree/Postgraduate Diploma / Bachelor's Degree
BACHELOR'S DEGREE IN BUSINESS ADMINISTRATION

He/ she is required to carry out an academic research on the topic
RISK MANAGEMENT AND FINANCIAL PERFORMANCE IN COMMERCIAL BANKS (A CASE STUDY OF STANBIC BANK MBALE 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,

[Handwritten Signature]

Timothy Akampurira
 Academic Registrar UCU-MUC

UGANDA CHRISTIAN UNIVERSITY
28 FEB 2024
 ACADEMIC REGISTRAR
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