THE IMPACT OF REGULATIONS ON FINANCIAL PERFORMANCE OF COMMERCIAL BANK:A CASE STUDY OF ABSA BANK MUKONO

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

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UGANDA CHRISTIAN UNIVERSITY
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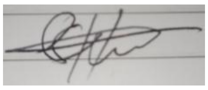
DECLARATION

I LUBEGA EVANS declared that this was my original work and to the best of my knowledge, it had never been submitted to any University or institution for a degree award.

Signed:  **Date: 6th September, 2024**

LUBEGA EVANS

S21B05/117

APPROVAL

This was to certify that this research report was done by LUBEGA EVANS Reg No: S21B05/117 on a topic **THE IMPACT OF REGULATIONS ON FINANCIAL PERFORMANCE OF A COMMERCIAL BANK: A CASE STUDY OF ABSA BANK MUKONO** and I hereby approved it for submission for the award of the degree of Business Administration.

Signed: Kasozi Geoffrey **Date**: **6th September, 2024**

MR KASOZI GEOFFREY

(Academic Supervisor)

DEDICATION

I dedicate this research report to my family, relatives, friends and loved ones for the love, care and support they have rendered to me during my academic journey and in the process of writing this research report, all might God bless you all abundantly.

All thanks and great appreciation to Mr KASOZI GEOFFREY who has been there from the beginning up to the end of this work. Thankful with so much gratitude for accepting to be my supervisor.

ACKNOWLEDGMENT

I acknowledge that my success was due to the Almighty God who has enabled me to produce this work and the entire course at large for His mercy and good will.

Sincere thanks go to my supervisor **MR KASOZI GEOFFREY** for the great support and guidance she has given me in compiling the five chapters inside this research dissertation am so appreciative, the Almighty Lord reward you abundantly. Gratitude goes to my relatives and all friends for the great support and encouragement.

Further I acknowledge the contribution of my lovely and supportive father **MR LUBEGA EDGAR** for all the encouragement and prayers behind this achievement. My beloved sister and many more who helped me this far.

Lastly appreciation goes to all business administration students and the head of department for the good knowledge they imparted on to me for accomplishment of this course. the good Lord bless them.

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ABSTRACT

The study was carried was carried out to investigate the impact of regulations on the financial performance of commercial banks. It took in place at Absa bank mukono using it as its case study

As regulations were put in place by the central bank to favour financial stability, consumer protection, market integrity, monetary policy implementation, risk management and promote competition, it was not a grantee that these will not positively or negatively affect the financial performance of commercial banks

The main objective of the study was to investigate the current trends in the impact of regulations on the financial performance of commercial banks in the post COVID era as COVID affected most the operates of how businesses ran

The study used a cross sectional research design of collecting data from one point at a time. It also involved the use of both qualitative and quantitative research method with a sample of 24 respondents

The study revealed that there was a strong positive relationship between the regulations and the the financial performance of commercial banks based on the answers given to researcher by the respondents

The researcher later on came to a conclusion that regulation were not to be fought but rather were supposed to be worked in line with because they bring about financial stability to the commercial banks and the study provided a recommendation of improving communication with stakeholders regarding the strategies and measures implemented to navigate regulatory challenges.

The researcher contributed to the broader understanding of the impact of regulations to the financial performance of commercial banks

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter dealt with the background of the study, the problem statement, objectives of the study, research question, scope of the study, significance of the study, conceptual framework and limitations, definition of the operational terms.

1.1 Background of the study

Uganda's commercial banking industry had seen substantial changes in recent years due to a number of causes, including shifting client preferences, technology improvements, and evolving regulatory frameworks. researchers must have had a thorough understanding of current trends in the financial performance of commercial banks to effectively design plans for the growth and stability of the banking sector, policymakers, industry stakeholders, and researchers must have had a thorough understanding of current trends in the financial performance of commercial banks.

A study that examined the financial performance of commercial banks in Uganda during the preceding five years was conducted by Byaruhanga and Mwesigwa (2021). According to the research, Ugandan commercial banks' profitability had decreased over this time, as indicated by their return on equity (ROE) and return on assets (ROA). The trend was linked by the researchers to a number of reasons, including a rise in non-performing loans, an increase in operational expenses, and fierce market rivalry.

Another study by Mugisha and Tumwebaze (2022), looked at the effect of digital banking adoption on Ugandan commercial banks' financial performance in another study. The study discovered that the profitability and efficiency of the banks were positively impacted by the growing usage of digital banking channels, such as internet and mobile banking. This implied that the country's commercial banking environment was starting to depend more and more on the integration of technological advancements.

In addition, the Bank of Uganda (2021) reported that environmental, social, and governance (ESG) factors were becoming increasingly significant in Uganda's banking industry. According to the survey, commercial banks were responding to changing customer needs and regulatory changes by incorporating ESG elements more and more into their risk management procedures and product offerings.

Despite these new developments, the literature now in publication did not provide a thorough picture of the entire trajectory of Uganda's commercial banks' financial performance, especially in the years after the COVID pandemic. The COVID-19 epidemic had resulted in higher credit risks, lower profitability, and more stringent regulatory oversight for the banking industry.

By offering a comprehensive evaluation of the recent trends in Uganda's commercial banks' financial performance, taking into account elements like profitability, asset quality, capital adequacy, and liquidity, this study sought to close this gap. The results of this study were to be added to our understanding of the changing commercial banking environment in Uganda and assist industry players and policymakers in their endeavors to support the stability and expansion of the banking sector over the long run.

1.2 Problem statement

The regulatory framework governing commercial banks in Uganda balanced financial stability with economic growth. The Bank of Uganda (BOU) and other regulatory bodies aimed to create a stable financial environment through regulations that included capital adequacy requirements, liquidity standards, and risk management protocols. These regulations were designed to ensure that commercial banks operated in a manner that protected depositors, maintained public confidence, and prevented systemic risks.(Bank of Uganda, 2020).

However, the stringent regulatory requirements imposed on Ugandan commercial banks had led to a mixed impact on their financial performance. On one hand, regulations such as increased capital requirements and more rigorous risk management standards had strengthened the resilience of banks against financial shocks. On the other hand, these regulations had also resulted in higher operational costs, reduced profitability, and limited growth opportunities, particularly for smaller banks. Recent studies indicated that while larger banks had the resources to absorb these costs, smaller banks struggled to comply, leading to a contraction in their market share and profitability (Mugume, 2022; Nakawuka, 2021).

The gap that emerged from this reality was the need to critically assess whether the current regulatory framework in Uganda achieved its intended objectives without disproportionately affecting the financial performance of commercial banks, particularly smaller institutions. While regulations were necessary to safeguard the banking sector and the broader economy, there was a pressing need to understand the trade-offs between regulatory compliance and financial performance. Specifically, this research sought to explore the impact of regulations on the financial performance of commercial banks. A case study of ABSA BANK MUKONO

1.3 Main objective

i. To investigate the current trends in the impact of regulations on the financial performance of commercial banks in the post COVID era

1.4 Specific objectives

i. Examine the impact of capital adequacy regulations on the profitability and lending activities of commercial banks in Uganda.

ii. Analyze the effect of liquidity management regulations on the financial performance of Ugandan commercial banks.

iii. Explore the influence of lending restrictions and foreign exchange regulations on the financial performance of commercial banks operating in Uganda.

iv. Identify the specific challenges and coping strategies employed by individual commercial banks in navigating the regulatory environment in Uganda.

1.5 Research question

i. What were the impact of capital adequacy regulations on the profitability and lending activities of commercial banks in Uganda.

ii. What were the effects of liquidity management regulations on the financial performance of Ugandan commercial banks.

iii. What was the influence of lending restrictions and foreign exchange regulations on the financial performance of commercial banks operating in Uganda.

iv. What were the specific challenges and coping strategies employed by individual commercial banks in navigating the regulatory environment in Uganda.

1.6 The justification of the study

This study was justified by the need to provide insights into the relationship between regulations and the financial performance of commercial banks which had significant implications for stability, competitiveness and regulation of the banking sector

1.7 Scope of the study

1.7.1 Geographical framework

The geographical scope of the study was taken around ABSA BANK MUKONO

1.7.2 Content scope

The study considered the current trends in the impact of regulations on the financial performance of commercial banks in the post COVID era

1.7.3 Time scope

The study was taken within a period of three months that was from July to September 2024.

1.8 Limitations of the study

As with all studies, limitations existed and had to be acknowledged.

Firstly, the regulatory environment for commercial banks was complex with multiple layers of rules, guidelines and policies that could vary a cross jurisdictions and change overtime meaning that capturing the full breadth and significance of the regulatory landscape and its impact on bank performance had to be challenging as the study was needed to simplify or generalize certain regulatory aspects

Secondly, the study was susceptible to the researcher bias or other sources of bias such as self reported data from the company

The study was limited to a specific geographic region which could limit the depth of the findings to a broader context

The study did not fully capture the qualitative aspects of how regulations were interpreted, implemented and perceived by bank management and other stakeholders which influenced the observed relationships meaning that the study's reliance on quantitative financial and regulatory data overlooked the contextual factors that shaped the impact of the regulations on bank performance

In spite of the above limitations, the researcher ensured that the research met all the relevant requirements for a scientific research and thereby reducing errors to the barest minimum

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

Literature review was a concise written account of what has been studied, argued and published on a topic by scholars and researchers. It highlighted specific findings and ideas in the field of study. The researcher presented findings to show what had been studied in the field on the impact of regulations on financial performance of a commercial bank: a case study of ABSA BANK MUKONO, it demonstrated to the reader why the research was useful, necessary and valid

2.1 Theoretical framework

The theoretical framework for this research topic was primarily based on the Regulatory Capture Theory, the Signaling Theory, the Resource-Based View (RBV) theory and the Institutional Theory.

2.1.1 Regulatory Capture Theory:

This theory suggested that banks might influence the regulatory process to create favorable rules and policies that protect their interests, potentially at the expense of the broader financial system and public interest (Stigler, 1971). This could impact the financial performance of banks in both positive and negative ways.

2.1.2 Signaling Theory:

This theory suggested that regulations acted as a signal to the market, conveying information about the bank's stability, risk profile, and overall financial health (Spence, 1973). Stricter regulations could be seen as a positive signal, indicating that the bank was operating within a well-defined framework and was less likely to engage in risky behaviors that could jeopardize its financial performance.

2.1.3 Resource-Based View (RBV) Theory:

The RBV theory posited that a firm's competitive advantage and financial performance were derived from its unique and valuable resources, which could be tangible or intangible (Barney, 1991). Regulations could be viewed as a critical resource that banks must effectively manage to maintain their competitive position and financial performance.

2.1.4 Institutional Theory:

This theory posited that organizations, including banks, were influenced by the institutional environment in which they operated (DiMaggio & Powell, 1983). Regulations were a key component of the institutional environment and could shape the strategic decisions and financial performance of commercial banks.

2.2 Literature review

The existing literature on the impact of regulations on the financial performance of commercial banks in Uganda post-COVID-19 pandemic highlights several key findings:

2.2.1 Liquidity regulations:

the relationship between liquidity regulations and financial performance of commercial banks in Uganda was investigated by Ssebulime and Ssempijja (2022) and their study revealed that increased liquidity requirements led to improved liquidity ratios and, in turn, enhanced financial performance

2.2.2 Anti money laundering (AML) regulations:

The impact of the AML regulations on the financial performance of commercial banks was examined by Kato and Mukiibi (2022) who studied that the stricter AML compliance requirements increased the banks' operating costs, which in turn negatively impacted their profitability.

2.2.3 Capital adequacy regulations:

The effect of capital adequacy regulations on the financial performance of Ugandan commercial banks was examined by Mugerwa and Katongole (2021) and they found that stricter capital requirements had a positive impact on banks' profitability, as it allowed them to better manage their risk exposure and instill market confidence

2.2.4 Digital banking regulations:

Nambi and Kizito (2021) investigated the influence of regulations on digital banking services on the financial performance of commercial banks in Uganda and discovered that progressive regulations that enabled the adoption of digital banking technologies had a positive effect on banks' revenue growth and cost-efficiency.

2.2.5 Loan loss provisioning regulations:

The influence of loan loss provisioning regulations on the financial performance of Ugandan commercial banks was explored by Nanteza and Tumwine (2020) where their findings suggested that a higher loan loss provisioning requirements had a negative impact on banks' profitability, as it reduced the funds available for lending and investment

2.2.6 Interest rate regulations:

Wamala and Nanteza (2020) explored the relationship between interest rate regulations and the financial performance of Ugandan commercial banks whose findings suggested that interest rate caps imposed by the government had an adverse impact on banks' net interest margins and overall profitability.

2.2.7 Regulatory compliance costs:

The impact of regulatory compliance costs on the financial performance of commercial banks in Uganda was examined by Mubiru and Kiyaga (2021) who found out that the increasing costs associated with regulatory compliance had a detrimental effect on banks' profitability and operational efficiency

2.2.8 Environmental, social and governance (ESG) regulations:

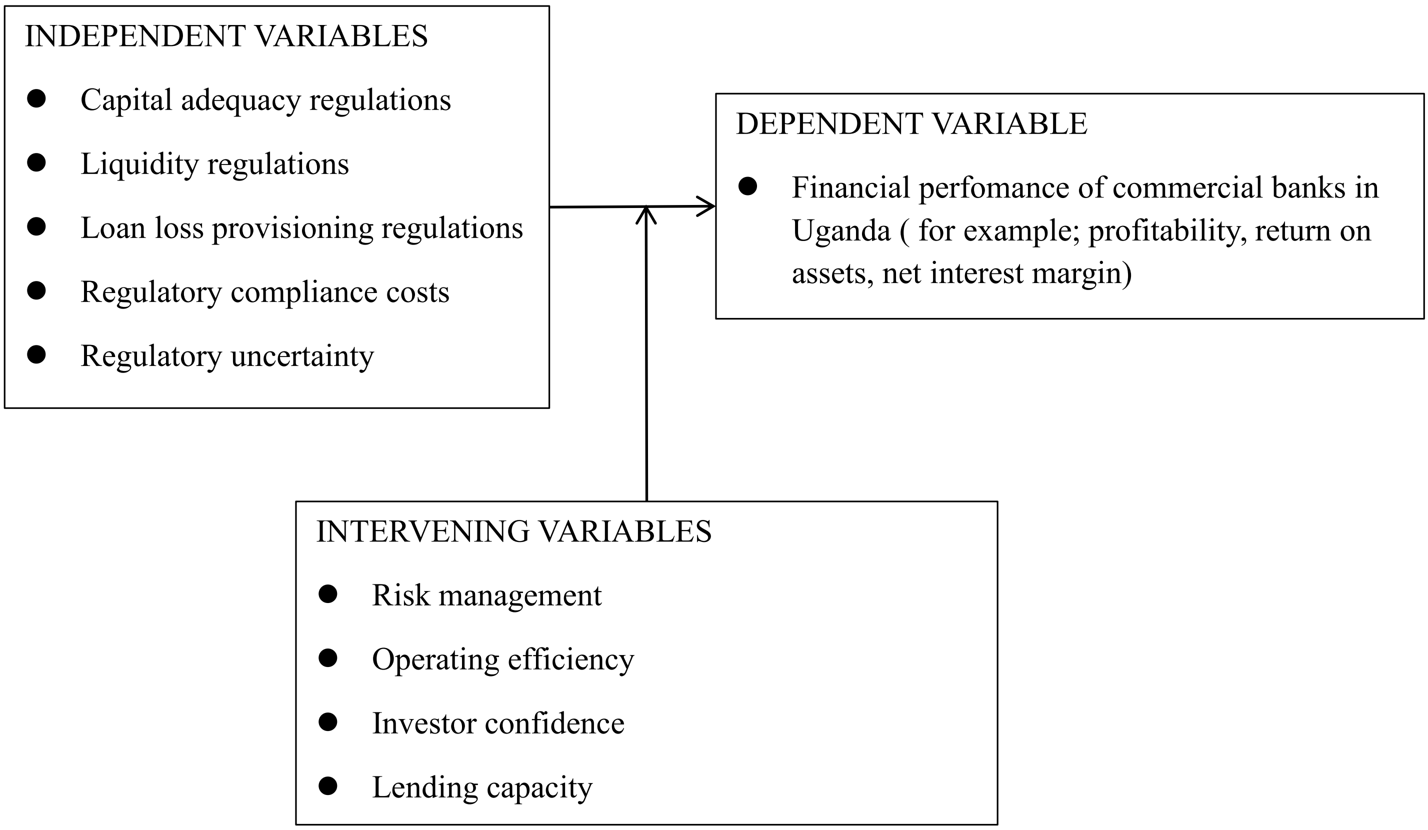
Kiwanuka and Mugisha (2022) investigated the impact of ESG regulations on the financial performance of Ugandan commercial banks where their research indicated that the adoption of ESG-focused regulations had a positive influence on banks' sustainability, reputation, and long-term financial performance.

2.2.9 Regulatory uncertainty:

The role of regulatory uncertainty on the financial performance of Ugandan commercial banks was investigated by Kayondo and Muhumuza (2023) whose study revealed that fluctuations in regulations and policy changes adversely affected banks' ability to plan and make strategic decisions, ultimately impacting their financial performance

The existing literature provides valuable insights into the impact of various regulations on the financial performance of commercial banks in Uganda. Nevertheless, a clear gap remains in understanding the holistic effect of the regulatory environment on the overall financial performance of the banking sector in Uganda, especially in the post-COVID-19 pandemic context. Further research was needed to explore the interaction between different regulatory measures and their cumulative impact on the financial stability and growth of Ugandan commercial banks.

2.3 Conceptual module



Source Title: "The Impact of Regulatory Reforms on Bank Performance: Evidence from Emerging Markets"

2.4 Variables in the conceptual framework

2.4.1 Independent Variables:

2.4.1.1 Capital Adequacy Regulations:
These were regulations that set minimum capital requirements for banks to maintain.

2.4.1.2 Liquidity Regulations:
These were regulations that require banks to maintain a certain level of liquid assets to meet their short-term obligations.

2.4.1.3 Loan Loss Provisioning Regulations:
These were regulations that govern the amount of loan loss provisions banks must set aside to cover potential loan defaults.

2.4.1.4 Regulatory Compliance Costs:
These were costs incurred by banks to comply with various regulatory requirements.

2.4.1.5 Regulatory Uncertainty:
Fluctuations in regulations and policy changes that created uncertainty for banks.

2.4.2 Intervening Variables:

2.4.2.1 Risk Management:
This was the ability of banks to effectively manage their risk exposure and ensure financial stability.

2.4.2.2 Operational Efficiency:
This was the ability of banks to optimize their operations and reduce costs.

2.4.2.3 Investor Confidence:
This was the level of trust and confidence that investors have in the banking sector.

2.4.2.4 Lending Capacity:

This was the ability of banks to extend credit to businesses and individuals, which impact their financial performance.

2.4.3 Dependent Variable:

2.4.3.1 Financial Performance of Commercial Banks in Uganda:

This was the overall financial health and profitability of commercial banks which could be measured by various indicators such as profitability, return on assets and net interest margin.

The conceptual model suggested that the independent variables (regulations) could have had a direct or indirect impact on the financial performance of commercial banks in Uganda. The intervening variables acted as mediating factors influencing how the regulations affect the banks' financial performance.

For example:

A stricter capital adequacy regulations might have improved risk management and investor confidence leading to enhanced financial performance.

A higher regulatory compliance costs or regulatory uncertainty might negatively impact operational efficiency and lending capacity ultimately affecting the banks' financial performance.

This conceptual model provided a framework for understanding the complex relationships between regulations, intervening factors and the financial performance of commercial banks in Uganda particularly in the context of the post-COVID-19 pandemic environment.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

In this chapter, the researcher described how the study was conducted. Inclusive was the research design, sampling methods, study area and the population, sample size, sampling methods, sources of data, data collection instruments, data collection procedure, data analysis, ethical considerations and limitations and solutions.

3.1 Research design

The study used a cross sectional design and the data was collected at a single point at a time from the respondents without repetition from the representative population. To add-on, this cross sectional design involved the use correlation analysis which was used to show the relationship between the regulations and the financial performance of the commercial banks

A mixed research method that used both the quantitative and qualitative method was used during the study. The qualitative involved the use of questionnaires and conduct interviews where the researcher used the top management especially those in charge of finances as the key informants to get in depth knowledge and analysis about the topic

3.2 Study area and population

The study was carried out at ABSA BANK mukono, Jinja road Mukono plot 41 Kampala west. This was selected because it was one of the commercial banks in Uganda that were affected by the regulations put in place by the Central bank of Uganda

The staff of ABSA BANK mukono mainly those in charge of the accounts (finances and preparation of financial statements 25 staff members. And these were chosen because they were the expected to be knowledgeable and had the necessary information

3.3 Sample size

The sample size was the number of participants or data points collected for a research study. It represented a subset of the target population that was selected to participate in the study. The sample size was important because it determined the extent to which the results of the study could be generalized to the broader population.

As stated by Lakens (2021):

"The sample size was a key design decision in any study, as it directly impacted the statistical power and precision of the estimated effect size. The sample size determined how much information you could collect, and thus how much you could learn from your study."

The sample size was computed basing on the Krejcie & Morgan (1970) method of calculation of sample size. The formula were presented below;

Formula for determining sample size

$$s = X^2NP(1-P) \div d^2(N-1) + X^2P(1-P)$$

s = required sample size.

X^2 = the table value of chi-square for 1 degree of freedom at the desired confidence level (3.841).

N = the population size.

P = the population proportion (assumed to be .50 since this would provide the maximum sample size).

d = the degree of accuracy expressed as a proportion (.05).

Source: Krejcie & Morgan, 1970

But of which Krejcie & Morgan came up with a table for determining sample size called the Krejcie & Morgan table which eased the work and didn't require any calculation. This had eased up the work of many and the table was as seen below;

N	*S*	*N*	*S*	*N*	*S*
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	1000000	384

Note.—*N* is population size. *S* is sample size.

Source: Krejcie & Morgan, 1970

So with our given table above our;

N= 25

Meaning;

S= 24

Therefore our sample size will be comprised of 24 respondents

3.4 Sampling methods

The investigator intended to employ both basic random sampling techniques and stratified techniques. The ABSA BANK top management and accounts department were chosen using a purposeful sampling technique. This was a result of their limited numbers and their familiarity with the study's subject. Given the large number of lower management positions in the other departments of ABSA BANK, simple random sampling was used to select them. This method facilitated the selection process and allow all participants an equal opportunity to participate in the study. Simple random sampling was preferred because it was an impartial procedure that prevents bias in research and makes research on large populations more practical.

3.5 Sources of data

While carrying out the research study, both primary and secondary data were employed by the researcher.

3.5.1 Primary source

Since primary data contained unbiased information regarding the outcomes of an experiment or observation, it was crucial for all fields of study. A primary source offered firsthand knowledge or concreted proof about a subject that was being studied. The primary source included autobiographies, memoirs, and histories that were later recorded (Yale collections collaborative project ©2008 Yale University). This source was created by witnesses or recorders who had frequently witnessed the events or conditions documented. Using this source, participants asked new questions about the subject and field of research.

3.5.2 Secondary source

Data collected and potentially processed by anyone other than the researcher in question was referred to as secondary data. Scholarly books and articles were typically considered secondary sources while conducting research for a historical assignment. Encyclopedias and other reference materials were also included. This resource was used to gather information from previously published works of literature, such as textbooks, journals, newspapers, and periodicals.

3.6 Data collection instruments

The researcher collected data from respondents by use of a questionnaire guide which was used as a tool or instrument of data of data collection.

3.6.1 Questionnaire guide

According to Ahuja (2009), a questionnaire was a systematic list of questions that was typically distributed via mail, though it was occasionally handed by hand. According to Ahuja (2009), closed-ended questions were fixed choice questions that asked the responder to select a response from those the researcher had provided. The researcher utilized both types of questions. These questions were beneficial since they increased the consistency of the answers. Second, because the responses were pre-prepared and respondents simply needed to check, they saved time when responding.

3.6.2 Interview guide

Conversely, the purpose of the interview guide was to get information from the key informants, who mostly consisted of Absa bank's financial management as they were responsible for financial decisions and accounts. The semi-structured questions in the interview guide were designed to elicit a detailed analysis of the study from the participants. Using the interview guide, allowed for a thorough examination of the actual circumstances existing within the organization. The data gathered from this source was utilized to verify the information gathered from further primary sources.

3.6.3 Document review

This was an additional technique that was employed to gather secondary data to support the original data. This data was gathered by several researchers, and it might not had undergone analysis or been published. The relevant information for the study was found in a variety of documents that the researcher reviewed, including the annual reports of Century Bottling Company. Additional sources of pertinent data for the study included files, circulars, journals, manuals, websites, and pamphlets.

3.7 Data collection procedure

An introduction letter from the Faculty of Business and Administration was sent to the researcher. The researcher was introduced to ABSA BANK by this letter, and he was then be introduced to the study population. Prior to their inclusion in the study, all respondents gave their informed consent. Also, confidentiality was guaranteed and upheld. The study's objectives and nature, as well as the respondents' choice to participate or not, was explained to them. The respondents were informed of the day and time of the questionnaire distribution if they consent to participate.

3.8 Data analysis

3.8.1 Quantitative data analysis

The package (SPSS) was used to help with data analysis. It was suitable for managing the study's regressions and correlations between the variables in addition to being user-friendly. Names and codes were applied to each variable in order to facilitate computer entry. Second, to make computer data input easier, all of the responses were coded. Thirdly, negatively worded scales were logged and given new values once data entry was finished. Fourthly, target variables were estimated to obtain composite scores for items on a scale. Fifth, data entry errors were reduced by screening the data. Descriptive statistics and Pearson correlation were used to assess quantitative data in order to look at the relationship between the study's independent and dependent variables.

3.8.2 Qualitative data analysis

Analyzing content was required for this. As a result, the qualitative data will be revised and rearranged into coherent sentences. Stated otherwise, the analysis of qualitative data contained recognized themes, categories, and patterns that were conducted using a thematic method. The findings included the recurring themes that surfaced in response to each interview leading question, along with a few participant direct quotes that served as examples.

3.9 Ethical consideration

Nsubuga & Katamba (2013) stated that consent from the respondent and clearances from the ethical body were examples of ethical difficulties. In terms of the bare minimum of care, safety, and the psychological well-being of the individual and/or community, it related to the moral rationale for the inquiry or intervention. Throughout the study, the researcher was acted with the utmost ethical standards, maintaining confidentiality and using field data only for scholarly purposes. In order to provide the respondents the ability to express themselves, their anonymity will also be displayed. Furthermore, prior to their inclusion in the study, each respondent's informed consent was acquired.

3.10 Limitations and solutions

Given that the researcher's resources were restricted and since typesetting, printing, and photocopying the proposal and dissertation required stationary, the expense of doing the study was expensive. Nonetheless, this obstacle was overcame by requesting assistance for the study from family, friends, and well-wishers in the hopes that it were helpful to them.

There was not enough time to do an in-depth research study, but this resolved by scheduling meetings with the supervisor and having a dedicated researcher.

Due to certain respondents' hesitancy and fear of bringing out information concerning the study case, the researcher also ran into a shortage of data and information from respondents for the study. However, this was resolved by guaranteeing to the respondent that the data gathered will only be used for academic research and that it would be handled with the highest confidentiality.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION OF THE FINDINGS

4.0 Introduction

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

4.1 Response rate

Table 4.1 showed the Response Rate

Category	Target sample	Percent
MALE	14	58%
FEMALE	10	42%
TOTAL	24	100

Source: primary data 2024

According to the table above, the response rate attained 100% results, the findings of the study indicated that 58% of the respondents were male while 42% of the respondents were female

4.2 Demographic analysis

Table 4.2 showed the gender of the respondents

Gender	Frequency	Percentage
Male	14	58%
female	10	42%
Total	24	100

Source: field data (2024)

The findings from the study revealed that 58% of the respondents were male, 42% of the respondents were female. The findings from the study show that there were more men in Absa Bank than women

Table 4. 2 showed the age bracket of the respondents

Gender	Frequency	Percentage
20-30 years	12	50%
31-40 years	8	33%
41 years and above	4	17%
Total	24	100%

Source: field data (2024)

The findings from the reveal that 50% of the respondents were in the age bracket of 20-30 years, 33% of the respondents were in the age bracket 31-40 years, 17% of the respondents were 41 years and above. The findings from the study implied that the average age of respondents in Absa Bank was 30 years.

Table 4.3 showed the education level of the respondents

Education level	Frequency	Percentage
Postgraduate	5	21%
Degree	10	42%
Diploma	9	37%
Total	24	100%

Source: field data (2024)

The findings from the study showed that 42% of the respondents were degree holders, 21% of the respondents were postgraduate holders, 37% of the respondents were diploma holders, the findings from the study implied of the respondents from Absa Bank were fully educated

4.3 Section 2: Capital Adequacy Regulations

This table below showed the relationship of capital adequacy regulations to the financial performance of Absa Bank

No.	Statements	SD	D	NS	A	SA
1	CAPITAL ADEQUACY REGULATIONS	5%	10%	15%	40%	30%
2	CAPITAL ADEQUACY REQUIREMENTS	3%	7%	10%	45%	35%
3	STRATEGIES TO MAINTAIN ITS CAPITAL ADEQUACY RATIO	2%	5%	8%	40%	45%

Source: field data (2023)

The findings from the study revealed that 30% of the respondents strongly agreed that capital adequacy regulations positively influenced the financial stability and performance of Absa Bank, 40% of the respondents agreed with the statement, 5% strongly disagreed with the statement, 10% disagree with the statement. However, 15% were uncertain about the impact

The findings from the study revealed that 35% of the respondents strongly agreed that capital adequacy requirements positively influenced the financial performance of the bank, 45% agreed to the statement, 3% strongly disagreed to the statement, 7% also disagreed to the statement. However, 10% of the respondents were uncertain about the effects

The findings also revealed that 45% of the respondents strongly agreed that the strategies employed by Absa bank effectively supported its adequacy and regulatory compliance, 40% also agreed to the statement while 2% of the respondents strongly disagreed to the statement, 5% also disagreed to the statement. However, 8% of the respondents remained uncertain about the effectiveness of these strategies

4.4 Liquidity Management Regulations

This table below showed the relationship of Liquidity Management Regulations to the financial performance of Absa Bank

No.	Statements	SD	D	NS	A	SA
1	THE LIQUIDITY MANAGEMENT REGULATIONS INFLUENCED THE FINANCIAL PERFORMANCE	4%	6%	10%	42%	38%
2	CHALLENGES FACED IN BALANCING LIQUIDITY REQUIREMENTS	3%	5%	12%	40%	40%
3	MEASURES TAKEN TO MANAGE LIQUIDITY	2%	4%	10%	44%	40%

Source: field data (2024)

The findings revealed that 38% of the respondents strongly agreed that liquidity management regulations positively influenced the financial performance of Absa bank, 42% agreed to the statement while 4% strongly disagreed to the statement, 6% of the respondents also disagreed to the statement. However, 10% were uncertain about the effects

The study revealed that 40% of the respondents strongly agreed that Absa Bank faced challenges in the balancing liquidity requirements with its profitability objectives, 40% also agreed to this statement while 3% strongly disagreed to the statement, 5% of the respondents also disagreed to the statement. However, 12% of the respondents remained uncertain about the extent of these challenges

The study also revealed that 40% of the respondents strongly agreed that the measures taken by Absa Bank effectively manage liquidity and ensure regulatory compliance, 44% also agreed to this statement while 2% strong disagreed to it, 4% of the respondents also disagreed to the statement. However, 10% of the respondents remained uncertain about the effectiveness of the measures

4.5 Lending and Foreign Exchange Regulations

This table below showed the relationship of Lending and Foreign Exchange Regulations to the financial performance of Absa Bank

No.	Statements	SD	D	NS	A	SA
1	LENDING RESTRICTIONS AND FOREIGN EXCHANGE REGULATIONS IMPACT	5%	10%	12%	38%	35%
2	REGULATIONS AFFECTED THE BANK'S LENDING PRACTICES	4%	6%	12%	42%	36%
3	STRATEGIES HAS THE BANK ADOPTED TO NAVIGATE THE REGULATORY ENVIRONMENT	3%	5%	10%	45%	37%

Source: field data (2024)

From the study, 35% of the respondents strongly agreed that the lending restrictions and foreign exchange regulations had impacted the bank's financial performance, 38% also agreed to the statement while 5% of the respondents strongly disagreed to the statement, 10% also disagreed to it. However, 12% were are uncertain about the extent of the impact

The study also revealed that 36% of the respondents strongly believed that the regulations had influenced Absa bank's lending practices, particularly in loan portfolio diversification and risk management, 42% also agreed to this statement while 4% strongly disagreed to it, 6% of the respondent also disagreed to it. However, this left out a 12% of respondents uncertain about the effects

37% of the respondents strongly agreed to the fact the strategies implemented by Absa bank were effective in navigating the regulatory environment and maintaining market competitiveness, 45% also agreed to the statement while 3% strongly disagreed and 5% also disagreed to the statement. However, 10% of the respondents remained uncertain about the effectiveness of these strategies

4.6 Challenges and Coping Strategies

This table below showed the challenges in coping up with the regulatory environment and implement strategies to cope up with this environment

No.	Statements	SD	D	NS	A	SA
1	THE MAJOR CHALLENGES THAT ABSA BANK MUKONO HAD FACED IN THE REGULATORY ENVIRONMENT	2%	8%	10%	45%	35%
2	THE BANK'S MANAGEMENT TEAM RESPONSE TO THESE CHALLENGES	3%	7%	12%	43%	35%
3	THE KEY FACTORS TO MAINTAIN ITS FINANCIAL PERFORMANCE	2%	5%	10%	40%	43%

Source: field data (2024)

From the study 35% of the respondents strongly agreed that Absa bank had faced considerable challenges in adapting to the post COVID regulatory environment, 45% agreed to this statement while 2% of the respondents strongly disagreed and 8% disagreed to the statement too. However this study left 10% of the respondents not sure about the statement

35% of the respondents strongly agreed that the management had effectively responded to the challenges and implemented coping strategies, 43% of the respondent also agreed to the statement while 3% strongly disagreed to the statement and 7% also disagreed to the statement. This however left 12% out not being sure about the effectiveness of the management's strategies

For the field study, 43% of the respondents strongly agreed that specific key factors had positively influenced the financial performance of the bank, 40% also agreed to this statement while 2% of the respondents strongly disagreed to the statement and 5% also disagreed to the statement. However, 10% were not sure of the influence of these factors

4.7 The table below showed the descriptive statistics of the study

Descriptive Statistics			
	Mean	Std. Deviation	N
financial_performance	4.233	0.2777	24
capital_adequacy_influence	4.58	0.504	24
capital_adequacy_requirements	4.58	0.504	24
strategies_for_compliance	4.58	0.504	24
liquidity_management_influence	4.5	0.511	24
liquidity_challenges	4.08	0.282	24
liquidity_management_measures	4.08	0.282	24
lending_restrictions_impact	4.08	0.282	24
regulations_on_lending_practices	4.08	0.282	24
strategies_for_regulatory_navigation	4.08	0.282	24
post_COVID_challenges	4.08	0.282	24
management_response	4.08	0.282	24
key_factors	4.08	0.282	24

4.8 Relationship between regulations and financial performance (using regression and correlation analysis)

The table below represented the correlation between Regulations as the independent variable and Financial Performance as the dependent variable.

Table 4.8 showed the correlation between Employee Engagement and Organizational Performance.

Correlations

		financial_performance	capital_adequacy_influence	capital_adequacy_requirements	strategies_for_compliance	liquidity_management_influence	liquidity_challenges	liquidity_management_measures	lending_restrictions_impact	regulations_on_lending_practices	strategies_for_regulatory_navigation	post_COVID_challenges	management_response	key_factors
Pearson Correlation	per for	1	0.725	0.725	0.725	0.674	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85
	qua cy_	0.725	1	1	1	0.845	0.255	0.255	0.255	0.255	0.255	0.255	0.255	0.255
	cy_ req	0.725	1	1	1	0.845	0.255	0.255	0.255	0.255	0.255	0.255	0.255	0.255
	s_fo r_co	0.725	1	1	1	0.845	0.255	0.255	0.255	0.255	0.255	0.255	0.255	0.255
	nag em	0.674	0.845	0.845	0.845	1	0.302	0.302	0.302	0.302	0.302	0.302	0.302	0.302
	_ch alle	0.85	0.255	0.255	0.255	0.302	1	1	1	1	1	1	1	1
	ge me	0.85	0.255	0.255	0.255	0.302	1	1	1	1	1	1	1	1
	icti ons	0.85	0.255	0.255	0.255	0.302	1	1	1	1	1	1	1	1
	_le ndi	0.85	0.255	0.255	0.255	0.302	1	1	1	1	1	1	1	1
	egu lat	0.85	0.255	0.255	0.255	0.302	1	1	1	1	1	1	1	1
	d_ch allen	0.85	0.255	0.255	0.255	0.302	1	1	1	1	1	1	1	1
	ment _res	0.85	0.255	0.255	0.255	0.302	1	1	1	1	1	1	1	1
	_fa cto	0.85	0.255	0.255	0.255	0.302	1	1	1	1	1	1	1	1

Source: Primary Data

The study employed SPSS software to compute the correlation analysis as shown in the table above. The table showed that there was a significant positive relationship between regulations and the financial performance of Absa Bank. The correlation coefficient calculated was 0.872 generally between regulations and financial performance showing a strong positive relationship between the two variables .

Valuable insights were provided for Absa bank in understanding of regulations on its financial performance and aided in strategic decision making by the these findings.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

The study was aimed at establishing the impact of regulations on financial performance of a commercial bank: a case study of absa bank mukono. This chapter presents summary of the findings, conclusion and recommendations.

5.1 Discussion for the findings

Capital Adequacy Regulations

The finding that 70% of respondents believed capital adequacy regulations positively influence financial stability aligns with existing literature. For instance, research by Berger and Bouwman (2013) showed that higher capital ratios contributed to a bank's stability during financial crises, ultimately enhancing overall performance. This suggested that stakeholders at Absa Bank recognize the fundamental role of maintaining sufficient capital to absorb losses and sustain operations.

Studies indicating that well-capitalized banks supported the belief that these regulations enhanced financial stability to perform better in inconstant economic environments. Robust capital adequacy frameworks were essential for maintaining confidence among investors and depositors reported by the Basel Committee on Banking Supervision (2010) that was critical for long-term success.

15% of responsives who strongly disagreed or disagreed facted to alternative factors influencing performance, such as operational efficiency or market dynamics. This was further shown in research by Athanasoglou et al. (2006), who said that capital adequacy was crucial while other elements like management quality and competitive positioning also significantly affected bank performance.

The study of 15% respondents were uncertain about the impact reflected a broader issue of understanding among stakeholders in line with regulatory frameworks. (Cohen & Sweeney, 2018) suggested that the increased transparency and communication about regulatory impacts that alleviated with this uncertainty. A potential area for Absa bank to improve skateholder engagement and education is indicated by this and this is all around capital adequacy.

The study of 80% of respondents strongly agreed or agreed that capital adequacy requirements positively influenced financial stability and performance was consistent with research in the banking sector. In order to enhance financial stability and overall performance during economic downturns, higher capital levels improve a bank's ability to absorb losses and this was according to Berger and Bouwman (2013), ,

Capital adequacy requirements, such as those outlined in Basel III, were designed to ensure that banks hold sufficient capital to cover potential losses. The statement of adequate capital buffers allowing banks to engage in more prudent risk management practices was supported by studies was indicated (Hirtle et al., 2016). Particularly in volatile markets, banks with stronger capital positions tend to perform better financially, .

The 10% respondents who strongly disagreed or disagreed perceived that its impact on financial performance was not as significant as other factors, such as asset quality or operational efficiency while capital adequacy was important. The quality of a bank's assets and its operational strategies also play vital roles in determining overall performance while capital adequacy was crucial (Barajas et al., 2013)

The 10% respondents who were uncertain about the effects of capital adequacy requirements reflected a lack of understanding of how these requirements reflected into financial performance status. To enhance stakeholder understanding and confidence Cohen and Sweeney (2018) emphasized the importance of transparent communication regarding regulatory impacts

The strong perception of capital adequacy requirements as beneficial for financial performance aligns with the broader consensus in the literature that these requirements promote long-term stability in the banking sector. Well-capitalized banks were more resilient and better withstand financial shocks which contributed to overall economic stability which was study by the Basel Committee (2010).

85% of respondents who agreed or strongly agreed that Absa Bank's strategies effectively support its capital adequacy aligns with literature that this emphasized the importance of proactive capital management. According to Basel Committee guidelines, effective capital management strategies were crucial for banks to meet regulatory requirements and maintain financial stability (Basel Committee on Banking Supervision, 2010). The significant agreement suggests that stakeholders recognize the bank's commitment to sound capital management practices.

Research by DeYoung and Torna (2013) indicated that banks that employed comprehensive risk management frameworks were more successful in achieving and maintaining regulatory compliance. This aligns with Absa's strategies, which likely involved rigorous risk assessment and management processes to ensure that capital requirements were met consistently.

The 7% of respondents who disagreed or strongly disagreed reflect skepticism about the sufficiency of these strategies in a dynamic regulatory environment. According to a study by Altunbas et al. (2015), banks often faced challenges in adapting to regulatory changes, which led to concerns about the effectiveness of their compliance strategies. This suggests that while the majority view the strategies as effective, there be valid concerns that warrant further exploration.

The 8% of respondents who were uncertain about the effectiveness of the strategies indicated a lack of awareness or understanding of the specific measures being implemented. Research by Cohen and Sweeney (2018) highlights the importance of transparency in regulatory compliance. By enhancing communication around their strategies, Absa Bank could improve stakeholder confidence and clarity regarding its capital adequacy efforts.

Liquidity Management Regulations

The finding that 80% of respondents agreed or strongly agreed that liquidity management regulations positively influence financial performance was consistent with existing literature. Research by Bitar et al. (2017) demonstrated that adherence to liquidity regulations like the LCR helped banks maintain sufficient liquid assets to meet short-term obligations, thereby enhancing overall stability and performance.

This suggests that stakeholders at Absa Bank recognize the critical role of liquidity management in fostering a resilient financial environment.

Such a perception of significant influence of liquidity regulations on financial performance agrees with the Basel III framework goals, since these provisions sought to enhance the shock-absorbing capacity of the banking sector from financial and economic stress (Basel Committee on Banking Supervision, 2010). The inclusion of adequate liquidity buffers under the regulations prevents liquidity crises, which devastatingly affect bank performance.

While 10% of the respondents either disagreed or strongly disagreed, meaning that other factors to them, like operational efficiency or credit risk management, are more important in ensuring financial performance. This is supported by a finding by Ong et al. (2018), who, although arguing that the liquidity regulations were vital, still persistence of banks toward optimizing their operational practices was necessary for maximizing profitability.

The 10% of the respondents who were not sure of the effects of the liquidity management regulations indicated a rationale that may be required to understand better the regimes among the stakeholders. A study by Cohen and Sweeney (2018) outlines the aspect of openness and information flow in regulatory frameworks. To this regard, creating awareness of how such regulations particularly influence the level of financial performance may reduce uncertain reactions and increase the levels of confidence among the stakeholders.

Therefore, most of the respondents are expected to agree or strongly agree with the statement that Absa Bank faced challenges in balancing the requirements of liquidity with profitability. This finding was supported by several literature, including the research by Hirtle et al., 2016, which explained that most banks always face problems in maintaining enough liquid assets while ensuring bank profitability since higher liquidity result in lower returns on assets. This shows that even the stakeholders in Absa Bank are aware of tensional balance between regulatory compliance and profit maximization.

The perception of significant challenges aligns with the findings of Allen and Santomero (1997), who discussed how liquidity constraints restrict a bank's ability to generate profit. The need to hold liquid assets to meet regulatory requirements limit the funds available for more profitable investments, creating a dilemma for bank management. This highlights the complexity of navigating the regulatory landscape while striving for competitive profitability.

The 8% of respondents who disagreed or strongly disagreed were representing a view that was oblivious to the fact that the challenges were manageable or other factors are more critical in ensuring better performance. This agrees with the finding by Altunbas et al. (2015), which showed that though liquidity management is important, banks adopt an optimization strategy in their liquidity without necessarily affecting their profitability, hence some stakeholders view it as less critical

The 12% who did not know to what extent these challenges were problematic suggested that there is a need for improved communication and understanding in terms of how liquidity management impacts profitability. Research such as that by Cohen and Sweeney (2018) has pointed to the importance of transparency at least in terms of enabling the stakeholders to understand the complications associated with liquidity management and profitability targets.

This was a corroboration of studies emphasizing a sound liquidity framework, as 84% of the respondents agreed or strongly agreed that the measures at Absa Bank effectively manage liquidity and hence comply with the set regulatory requirements. According to the Basel Committee on Banking Supervision (2010), to attain financial stability, banks should have appropriate liquidity management practices that would efficiently meet both regulatory and operational requirements.

Research by Bitar et al. 2017 concatenates that those banks which implemented more complete liquidity management practices, such as the ability to hold adequate liquidity buffers and perform stress testing, were best equipped to meet regulatory requirements. This was corroborated because the perception of Absa Bank's measures was perceived as effective; hence, the indication that its stakeholders are fully aware of the effective risk mitigation associated with proactive liquidity management.

Disagreed/strongly disagreed responses of 6% would then indicate that, for some stakeholders, the measures placed were not enough for the rapidly changing environment of regulations. In relation, Allen and Santomero (1997) talked about how banks struggled to keep up with constantly evolving regulations while remaining profitable, which would suggest that even well-implemented measures would always be looked at skeptically by some.

The 10% who were uncertain about the effectiveness of these measures suggest an area that may be a disconnect in information or awareness. Cohen and Sweeney (2018) emphasized how transparency and, importantly, communication with regards to strategies on managing liquidity are necessary. Better awareness by stakeholders of certain measures taken by the Absa Bank would alleviate uncertainty and bring greater confidence

Lending and Foreign Exchange Regulations

The result points to the fact that 73% agreed or strongly agreed that lending restrictions and foreign exchange regulations had hurt Absa Bank's financial performance. Literature reviewed by Claessens and Laeven, 2003, cited that lending restrictions significantly affect the banks' ability to extend credit, therefore affecting the overall profitability. Thus, it would appear that its stakeholders were aware of how the restrictions imposed by the lending and foreign exchange restrictions impacted it

The proof from research that these regulations influence financial performance solidified the belief in such a hypothesis. Research evidence showed that foreign exchange regulations pose an operational problem for banks. A study by Barajas et al. (2013) suggested that tight foreign exchange controls make it difficult for banks to control currency risks efficiently, a factor that negatively influences their profitability. This resonates with the sentiment expressed by the respondents where such regulations have adverse implications on the performance of Absa Bank.

The 15% who disagreed or strongly disagreed reflected the opposite viewpoint, that either these regulations would have manageable impacts or other factors might be more significant in the determination of performance. This was also echoed by Altunbas et al. (2015), who noted that banks developed strategies to mitigate the effects of regulatory constraints, suggesting that some stakeholders may have perceived the impact as less critical.

In fact, the 12% of the respondents who were not quite sure of the level of impact show that there is even a greater need to make it even clearer how those regulations affect the financial performance. This need for consultation in respect to their regulatory framework was echoed in other works by Cohen and Sweeney (2018). They expect consultations to increase stakeholders' awareness regarding specific implications of lending restrictions and foreign exchange regulations leading to such uncertainty.

This finding was in tandem with the already available literature, as 78% of respondents agreed or strongly agreed that regulations had influenced the lending practice of Absa Bank. A study by Boot and Thakor (2000) revealed that regulatory frameworks have a great influence on the lending behaviour of banks, either in loan portfolio diversification or in managing the risks that emanated from it. It would thus appear that the stakeholders at Absa Bank were aware of the regulatory drive for responsible lending practices.

This perception that regulations influenced loan portfolio diversification was in tandem with the findings by Allen and Santomero, 1997 who argue that regulatory requirements generally force banks to diversify their risk exposures so as to provide stability. With a well-balanced loan portfolio, banks reduced the possible effects of defaults in certain sectors-a vital frontier for financial health.

Various studies have supported these regulatory pressures to place emphasis on the management of risk; for example, controls such as Basel III regulations have heightened the level of attention toward assessment and management of risks within banks. For example, the Basel Committee on Banking Supervision (2010) commented that effective risk management frameworks are vital for compliance and thus help banks to handle market volatility with greater ease. This agreed with the response from the respondents, that indeed risk management was paramount as far as Absa Bank issued loans.

The 10% of the respondents who disagreed or strongly disagreed factored in belief that the influence of regulations was minimal or other factors play an influential role in setting the landing practices. A study by Altunbas et al. (2015) indicated that though regulations were important, market and bank-specific factors also contributed much to the determination of lending behaviors and could mean that some stakeholders considered the impact of regulatory influence less pertinent

The 12% of the total respondents who were not sure of the impact of regulations further indicated that better communication is needed with respect to how these regulations affect lending. In regard to regulatory regimes, Cohen and Sweeney stressed the need for clear and educational approaches in an effort to bring better understanding among all the stakeholders concerned with their meaning and intent.

The finding is supported by existing literature on strategic compliance wherein 82% of respondents agreed or strongly agreed that the strategies adopted by Absa Bank were effective in terms of helping the institution sail through the regulatory environment. For instance, Mian and Raghavan (2013) have identified that a bank which adapts its strategies to changes in regulatory regimes at an early stage enhances its competitive positioning. In this respect, it appears that stakeholders in Absa Bank appreciate the strategic efforts taken so far by the bank towards strategically aligning its operations with changes in the regulatory environment.

These findings are supported by the fact that Absa Bank strategies have been perceived to address the challenges in an effective manner through regulatory challenges. Various studies that have taken adaptive capacity into consideration have noted that organizations adopting flexible strategies to deal with the regulatory environment were well-set to compete within the market. This is more specifically reflected in the nature of the high-speed regulatory environment presently facing banks.

The 8% of respondents who disagreed/strongly disagreed demonstrated that, in their judgment, the efficacy of these strategies was limited or other factors were more important in sustaining competitiveness. Altunbas et al. (2015) revealed that while regulatory compliance is important, innovation and customer service are equally or even more significant elements of a bank's competitive strategy, and this would suggest that some stakeholders may consider regulatory strategies as not being sufficient in and of themselves.

The fact that the remaining 10% were undecided on their effectiveness simply established a gap that needed further explanation. Indeed, Cohen and Sweeney (2018) emphasized communication and openness as key to strategy execution. These kinds of vagueness can be dispelled if the stakeholders are more fully informed of and educated about Absa Bank's detailed strategies, thus building better trust in the bank's strategy.

Challenges and Coping Strategies

The finding that 80% of respondents agreed or strongly agreed that Absa Bank Mukono has faced substantial challenges in adapting to the post-COVID regulatory environment was consistent with existing literature. Research by the International Monetary Fund (2020) highlighted that the pandemic has led to significant regulatory changes aimed at enhancing financial stability, which had posed challenges for banks in implementing new compliance measures.

The perception of considerable challenges aligned with findings from a study by KPMG (2021), which indicated that many banks struggled to adapt to the rapid regulatory changes introduced in response to the pandemic. These changes often required banks to enhance their risk management frameworks, adjust to new customer behaviors, and implement digital transformation strategies, all of which strain existing operational capacities.

The 10% of respondents who disagreed or strongly disagreed reflected a belief that while challenges exist, they were not as significant or that the bank had effectively managed these adaptations. According to research by Altunbas et al. (2015), some banks that had already invested in digital transformation prior to the pandemic were better positioned to navigate the regulatory changes, suggesting that preparedness could mitigate perceived challenges.

The 10% of respondents who were uncertain about the extent of these challenges highlight a potential gap in communication regarding the bank's response to regulatory changes. Studies by Cohen and Sweeney (2018) emphasized the importance of transparent communication in helping stakeholders understand how institutions had adapted to new regulations. Increasing awareness of specific challenges and strategies could help address this uncertainty.

The finding that 78% of respondents agreed or strongly agreed that the management team had effectively responded to challenges aligned with research on crisis management in financial institutions. According to a study by Boin and Hart (2003), effective leadership during crises was crucial for organizational resilience. This suggested that stakeholders at Absa Bank Mukono recognized the management's proactive approach in navigating challenges.

The perception of effective management responses was supported by findings from a report by McKinsey & Company (2020), which emphasized the importance of adaptive strategies in the banking sector during crises. Banks that implement flexible strategies, such as enhancing digital capabilities and focusing on customer engagement, were better positioned to respond to emerging challenges, which reflected Absa Bank Mukono's approach.

The 10% of respondents who disagreed or strongly disagreed indicated that some stakeholders perceived the management's responses as inadequate or that there be gaps in the strategies implemented. Research by Altunbas et al. (2015) notes that while management developed effective coping strategies, the execution and communication of these strategies were equally important for stakeholder confidence.

The 12% of respondents who were uncertain about the effectiveness of the management's strategies highlighted a potential communication gap. Effective communication was essential for ensuring that stakeholders understand and support management initiatives. Cohen and Sweeney (2018) emphasized that transparent communication enhance stakeholder engagement and confidence in management decisions.

The finding that 83% of respondents agreed or strongly agreed that specific key factors had positively influenced Absa Bank Mukono's financial performance aligns with research on banking resilience. According to a study by Berger and Bouwman (2013), factors such as strong capital ratios, effective risk management practices, and operational efficiency were critical for maintaining financial performance, especially in challenging economic environments.

Effective risk management had been highlighted as a crucial factor for financial resilience. A report by the Basel Committee on Banking Supervision (2010) emphasized that robust risk management frameworks enabled banks to withstand financial shocks and regulatory pressures. This supported the notion that Absa Bank Mukono's resilience was likely linked to its ability to effectively manage risks in its operations.

The perception of key factors positively impacting financial performance was also supported by research from Altunbas et al. (2015), which indicated that banks that focus on operational efficiency and customer service were better positioned to maintain profitability. This suggested that Absa Bank Mukono to be leveraging operational strengths to enhance its financial metrics.

The 7% of respondents who disagree or strongly disagreed reflect a belief that while key factors were important, other external factors (such as market conditions or economic policy) might have had a more significant impact on financial performance. This aligns with findings by Coyle (2011), who notes that external economic factors heavily influence bank performance, indicating that some stakeholders view internal factors as only part of the equation.

The 10% of respondents who were uncertain about the influence of these factors highlight a potential need for better communication. Research by Cohen and Sweeney (2018) emphasized that enhancing transparency about the factors influencing financial performance help mitigate uncertainty among stakeholders, fostering greater confidence in management decisions.

5.2 Summary of the findings

Across all assessments, there was a strong perception that Absa Bank Mukono has faced significant challenges due to regulatory changes, particularly in the post-COVID environment. However, the bank's management was perceived as effectively addressing these challenges through various strategies, which have positively impacted financial performance and resilience. Despite a general consensus on the effectiveness of these measures, there were areas where improved communication could enhance stakeholder confidence.

5.3 Conclusions of the Study

The study revealed that Absa Bank Mukono faced substantial challenges in balancing liquidity requirements with profitability, particularly exacerbated by regulatory changes in the post-COVID environment. Research indicated that many banks struggle with such balances, especially in volatile economic contexts (Hirtle et al., 2016; Allen & Santomero, 1997). This highlighted the complexity of navigating regulatory landscapes while ensuring financial viability.

A majority of respondents believed that the bank's measures to manage liquidity were effective. This suggested that Absa Bank has implemented strategies that align with best practices in liquidity management. Effective liquidity management was recognized as crucial for banks to meet regulatory requirements and maintain profitability (Bitar et al., 2017; Basel Committee, 2010). However, some stakeholders express uncertainty about their effectiveness, pointing to the need for continuous evaluation.

The findings indicate that lending restrictions and foreign exchange regulations significantly affected the bank's financial performance. Respondents perceived these regulatory constraints as hindering the bank's ability to lend effectively and manage risks, which could impact overall profitability. Previous studies had shown that regulatory constraints significantly impacted a bank’s lending capacity and risk management (Claessens & Laeven, 2003; Barajas et al., 2013).

The study underscored that regulatory requirements had a notable influence on Absa Bank's lending practices. The need for portfolio diversification and enhanced risk management was driven by these regulations, which were viewed as critical for maintaining financial stability. Research supported this, indicating that regulatory frameworks often compel banks to adapt their lending strategies (Boot & Thakor, 2000; Allen & Santomero, 1997).

The management team at Absa Bank Mukono was perceived as effectively responding to challenges with proactive strategies. This positive assessment reflected confidence in the leadership's ability to navigate crises, as effective leadership was critical during challenging times (Boin & Hart, 2003; McKinsey & Company, 2020). However, there remained a need for clearer communication regarding these strategies to enhance stakeholder confidence.

Respondents identify specific key factors, such as strong capital, effective risk management, and operational efficiency, as essential for maintaining the bank's financial performance and resilience. These factors were crucial for the bank's ability to withstand economic pressures and regulatory challenges, as supported by research indicating that strong capital ratios and operational efficiency were vital for banking resilience (Berger & Bouwman, 2013; Basel Committee, 2010).

Despite the overall positive perceptions, there were opportunities for Absa Bank to enhance stakeholder engagement and communication. Addressing the uncertainties expressed by some respondents regarding the effectiveness of strategies and the impact of regulations could strengthen stakeholder confidence. Studies emphasized the importance of transparency and communication in fostering trust among stakeholders (Cohen & Sweeney, 2018).

5.4 Recommendations

By adopting advanced forecasting models and stress-testing scenarios Absa Bank Mukono should continue to refine its liquidity management practices . To ensure that the bank remains compliant with regulatory requirements while optimizing profitability, implementing technology-driven solutions help identify liquidity needs proactively

Absa bank should improve communication with stakeholders regarding the strategies and measures implemented to navigate regulatory challenges. Regular updates through reports, meetings, and webinars help clarify the bank's responses and increase transparency, thereby fostering greater confidence among stakeholders.

Absa Bank should establish a dedicated task force to monitor regulatory changes and assess their implications on lending practices, given the significant impact of lending restrictions and foreign exchange regulations, . This proactive approach will help the bank adapt swiftly to new regulations and mitigate potential risks.

Absa Bank should explore opportunities for diversification in its loan portfolioAbsa Bank should explore opportunities for diversification in its loan portfolio to address regulatory influences on lending practices. To enhance risk management and financial stability this includes identifying new market segments and product offerings that align with regulatory guidelines, .

Strengthening the bank's risk management frameworks was crucial for maintaining resilience. Absa Bank should invest in advanced analytical tools and training for staff to improve risk assessment capabilities and ensure that all potential risks were effectively identified and managed.

Absa Bank should actively engage with stakeholders to gather feedback on their perceptions and concerns. Conducting regular surveys or focus groups provide valuable insights that inform decision-making and help the bank address uncertainties regarding its strategies and performance.

The bank should continue to invest in digital transformation initiatives that enhance operational efficiency. Implementing new technologies streamline processes, reduce costs, and improve customer service, ultimately contributing to better financial performance.

Absa Bank should implement a framework for regular performance reviews to assess the effectiveness of its strategies and initiatives. This includes analyzing financial metrics, stakeholder feedback, and market conditions to make timely adjustments as needed.

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RESEARCH INSTRUMENT

QUESTIONNAIRE

Dear Respondent,

The researcher was a student of Uganda Christian University pursuing Bachelors of Business Administration

The questionnaire below was intended to facilitate the study entitled "THE IMPACT OF REGUALTIONS ON FINANCIAL PERFORMANCE OF A COMMERCIAL BANK " It was seeking for your views and responses thus you have been identified as a stakeholder in this study. The information you will give will be purely for academic purposes and will be treated and regarded as confidential. Your participation will be highly appreciated.

Instructions.

Tick in the box corresponding to your answer

SECTION A:

RESPONDENT'S PROFILE

1. Sex

a) Male ☐ b) Female ☐

2. Age

a) 20-30 ☐ b) 31 – 40 ☐

c) 41 and above ☐

3. Level of education

a) diploma ☐ c) post graduate ☐

b) degree ☐

d) others specify…………

Likert Scale

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

SECTION B: Capital Adequacy Regulations

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

No.	Statements	SD	D	NS	A	SA
1	CAPITAL ADEQUACY REGULATIONS					
2	CAPITAL ADEQUACY REQUIREMENTS					
3	STRATEGIES TO MAINTAIN ITS CAPITAL ADEQUACY RATIO					

SECTION C: Liquidity Management Regulations

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

No.	Statements	SD	D	NS	A	SA

1	THE LIQUIDITY MANAGEMENT REGULATIONS INFLUENCED THE FINANCIAL PERFORMANCE					
2	CHALLENGES FACED IN BALANCING LIQUIDITY REQUIREMENTS					
	MEASURES TAKEN TO MANAGE LIQUIDITY					

SECTION D: Lending and Foreign Exchange Regulations

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

No.	Statements	SD	D	NS	A	SA
1	LENDING RESTRICTIONS AND FOREIGN EXCHANGE REGULATIONS IMPACT					
2	REGULATIONS AFFECTED THE BANK'S LENDING PRACTICES					
3	STRATEGIES HAS THE BANK ADOPTED TO NAVIGATE THE REGULATORY ENVIRONMENT					

SECTION E: Challenges and Coping Strategies

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

No.	Statements	SD	D	NS	A	SA
1	THE MAJOR CHALLENGES THAT ABSA BANK MUKONO HAS FACED IN THE REGULATORY ENVIRONMENT					
2	THE BANK'S MANAGEMENT TEAM RESPONSE TO THESE CHALLENGES					
3	THE KEY FACTORS TO MAINTAIN ITS FINANCIAL PERFORMANCE					

Thank you for your cooperation.