

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

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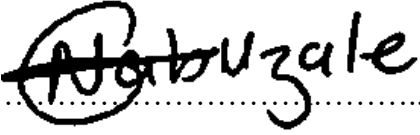


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DECLARATION

I, Nabuzale Esther 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 project prepared by **Nabuzale Esther** titled, '**Risk Management and Financial Performance of Commercial Banks, case of DFCU Bank, Mbale branch** —has been handed in for assessment with my endorsement as the appointed University supervisor

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Date: 07.06.2025

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(Supervisor)

DEDICATION

This study is dedicated to my amazing children; Aketch Esther Regina and Kibone Elizabeth Salanza for their enormous love, care, and understanding during my absentia as a mother throughout my study period. Not forgetting Rev. Fr. Henry Bahati for the spiritual guidance and encouragement and support during my study and my lovely mother Namaleya Regina for her prayers always. Above all I exalt The Almighty God for the unending love, blessings and success.

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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
ERM	:	Enterprise Risk Management
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, case of DFCU Bank, Mbale branch. It was guided by three objectives; to assess the effect of risk identification, to determine the effect of risk analysis and to analyze the effect of response planning on financial performance of DFCU 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 DFCU Bank Mbale branch. Supported by the following responses; 30% strongly agree, 24% Agree to the statement that employees ensure that all potential project risks are identified; 33% strongly agree, 29% agree to the statement; 48% strongly agree, 13% Agree to the statement that careers in safety management often entail planning for the worst while expecting the best; Results of the second objective revealed that risk analysis has a significant effect on financial performance of DFCU Bank Mbale branch. Supported by the following responses; 35% strongly agree, 21% Agree to the statement that respondents anticipate and reduce the effect of harmful results from adverse events. Results of the third objective showed that response planning has a significant effect on financial performance of DFCU 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

Risk management practices refers to the process through which organizational management determines how to mitigate and effectively handle risks associated with business operations. It serves as a fundamental element in realizing the organization's vision and enhancing its performance. According to Al Zaidanin (2021) an organization's perspective on strategic risk management practices determine the kind and extent of the risks it faces in response to the challenges and opportunities. The effects of risk and uncertainty on most businesses have been substantial. Hence, businesses need to keep an eye on these practices and exert some degree of control in its environment related to risk, uncertainty and the consequences they may produce.

Where robust risk mitigation strategies are put in place, firms experience improved performance (Sorle, 2019). This is because risk planning has become an integral aspect of business management. Inefficient mitigation of risk is a sensitive driver of business regardless of the size of the entity. Therefore, an organization may lessen the effect of risks and take up business chances in a highly competitive business world through adopting strategic risk management practices and improve its performance

1.1.1 Historical background

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 DFCU Bank Uganda, have made substantial investments in risk management tools, systems, and human resources. DFCU 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 (DFCU Bank Uganda, 2020).

As one of the leading commercial banks in Uganda and the wider African region, DFCU 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, DFCU Bank has integrated sophisticated risk assessment models, stress testing, and scenario analysis into its risk management processes. This commitment to risk management has positioned DFCU Bank as a trusted and stable financial institution within the Ugandan banking sector (DFCU Bank Uganda, 2021).

DFCU 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, DFCU Bank Uganda strives to maintain a robust financial performance and ensure the protection of stakeholders' interests (DFCU 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

Wherever there is risk, risk management is required. Risk management encompasses the identification, assessment, and prioritization of risks, alongside the utilization of coordinated and cost-effective resources to mitigate, track, and regulate the probability and consequences of adverse events (Nwude & Okeke, 2018). Adequately managed risk positively influences the stability of banks, while badly managed risk adversely affects their stability, i.e., the bank may go bankrupt. To put it another way, risk is an opportunity that, if well managed, can yield a large reward, hence enhancing financial performance (FP). Risk disclosure is essential for enhancing transparency and accountability, as it provides stakeholders with critical information about a bank's risk exposures. Effective risk disclosure not only fosters investor and depositor confidence but also supports regulatory compliance and decision-making. Regular assessments and updates to the risk-management framework are recommended to adapt to changing market conditions (Oladele & Akinwumi, 2024).

Banking is an industry characterized by risk-taking. Banks typically fulfil an intermediation role by receiving deposits from savers and extending loans to borrowers. By doing so, they encounter numerous risks that directly and/or indirectly affect their financial performance (Bavoso, 2022). The global financial system hinges on effective and efficient risk management by financial institutions, especially the banking industry, as they serve as vital intermediaries in ensuring and fostering economic development and growth. Banks are critical to economic growth since the banking sector influences most economies (Mendoza & Rivera, 2017). Rather than avoiding risk, banking is in the business of accepting and managing risk (Hull, 2012). Jasevičienė (2012) affirms

that accepting and managing risks is the cornerstone of a bank's operation. The increasing competitiveness among organisations today, as well as the possibilities and challenges that all organizations confront at various national and international levels, has sparked interest in risk management (Van et al., 2015; Aripin et al., 2023). Uncertainty regarding an event's future result is what risk is all about. The proprietor of a business is considered to have taken a risk in every attempt to start a firm. Each transaction or service provided by banks carries a certain level of risk. Banks face risks as a result of failures in their operations, processes, and policies, as well as system inadequacy. As a result, in order for financial institutions to continue and flourish, management must consider measures to reduce unacceptable risks (Walker et al., 2002).the study considered risk identification, risk analysis and risk planning and their effect on financial performance of DFCU bank, Mbale branch.

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 (Komnencic 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

DFCU Bank is a leading financial institution in Uganda, offering a wide range of banking and financial services. It's a subsidiary of DFCU Limited, which was established in 1964 as a development finance institution. DFCU Bank was created in 2000 through DFCU's acquisition of Gold Trust Bank, expanding its services to include universal banking alongside its existing finance offerings.

DFCU Bank has a network of 54 branches spread across Uganda. These branches are located in various regions, including Kampala, Central, Eastern, Northern, and Western Uganda. Some of the branches in Mbale include the Mbale Branch at 2 Court Road. Other notable branches include Kampala Road, 6th Street, and Luwum Street in Kampala.

The performance of commercial banks in Uganda is stabilizing. In the address to the bankers, the Deputy Governor Bank of Uganda (BoU), Dr Louis Kasekende said over the course of the first nine months of 2017, the financial soundness indicators of the banking system have improved. “The non- performing loan to total loan ratio has fallen from 10.5 per cent in December 2016 to 7.2 per cent in September 2017; and in absolute terms, NPLs fell by 32 per cent, over the same period, the total capital adequacy ratio of the banking system increased from 19.8 per cent to 23.8 per cent of its risk weighted assets. Strong capital buffers are of particular importance in bolstering the resilience of banks adverse shocks,” he said. Since the past year was described as a difficult year for banks in Uganda, with banks registering high levels of Non- Performing Loans, lower profitability, among others. (Daily Monitor Wednesday December 6 2017). The NPLs has adversely affected Uganda’s banking industry since 2011. Some have gone to under due to huge NPLs. Out of the 24 banks; its only Citibank that has Zero NPLs. DFCU bank didn’t indicate its NPLs in the financial statements and the general NPLs were not obtained. Excluding DFCU bank, industry NPLs increased to shs577.09bn in 2017, up from shs572.39bn in 2016. It’s not

surprising that the bad loans in the industry have risen to Ush1.trillion (\$438.8million) out of a total credit portfolio of Ush10trillion (\$2.7bilion). (The East African, Thursday August 24 2017). To be successful in the long run, a bank needs to keep the level of bad loans at a minimum so that it can still earn a profit from giving out loans.

The performance of United Bank for Africa is declining as the performance of commercial banks in Uganda is said to be stabilizing, DFCU Bank Mbale branch is one of the banks that realized net profit of Sh100.27billion in 2017, down from Sh109.9bn recorded in 2016. (Business Focus Monday, June 4, 2018). However United Bank for Africa was also among the top banks with high NPLs. Its NPLs increased to sh62.2bn in 2017, up from Shs35.6bn. and bad loans written off of sh80.2 billion in 2017, (Nile post, May/2018). If the bad loans interest rate was at 20% of sh80.2bilion then Bank must have lost around 13/ sh16.04billion interest plus the sh80.2 billion the bank lost around sh96.24bilon in 2017, thus this affected the performance of the bank hence drop down on its profits. DFCU Bank Mbale branch inclusive had high a slight drop in her profits by 8.8%.

1.2 Statement of the Problem

As the economy comes to a standstill as a result of the Covid-19 lockdown or restrictions in clients carrying out their activities freely, financial institutions such as banks have found it hard to manage its financial performance in terms of non- performing loans (Matovu, 2020). However, according to DFCU bank Mbale branch Annual Report (2021), the non-performing loans had grown to 3.6% in 2019 as compared to 2.6% in 2018 thus indicating a trend that was already getting out of hand even before the Covid-19 pandemic. The bank appears to have failed in achieving its planned financial performance thus causing failure in recovery of loaned money despite having policies like collaterisation of loans, loan tracking system and debt recovery unit as noted in the DFCU bank Mbale branch Annual Report (2021) indicating that they have the capacity to manage any credit risk.

The DFCU bank Mbale branch non-performing loans have increased from 39.8 billion in 2020 to 60.82 billion 2022 and the bad loans written off increased from shs.25.9 billion in 2020 to shs.128.8 billion in 2021 (DFCU bank Mbale branch Annual Report, 2022). The rate of growth of non-performing Assets (NPA) and foreclosure has steadily increased over the years as noted in the

above data transition (2020 to 2021 reporting). It is evident that DFCU bank Mbale branch loan loss rate increased from 1.0% in 2020 to 1.2% in 2021 and the number of outstanding loans increased from 1.53 billion in 2020 to 1.74 billion in 2021 (DFCU bank Mbale branch Annual Report, 2022). Whether this is due to failure to recover the loaned money is the question subject to debate in this study. Hence if this situation continues, DFCU bank Mbale branch is more likely to lose its reputation thereby causing discontent among its clients. This therefore raises concern hence prompting an investigation into examining how credit management practices affect financial performance of commercial banks in Uganda drawing an empirical investigation on DFCU bank Mbale branch

1.3 Purpose of the study

To investigate on risk management and financial performance of DFCU bank, Mbale branch

1.4 Specific objectives

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

1.5 Research questions

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

1.6 Scope of the study

The study 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 five-year time frame (2020-2025). This is because this is the period when DFCU Bank Mbale branch has been marred by risk management challenges, including allegations of abuse of office, lack of transparency, mismanagement of funds.

1.6.3 Geographical scope

The research was carried out at DFCU Bank Mbale Branch which 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

This research work is of paramount importance to various categories of users. These users include:

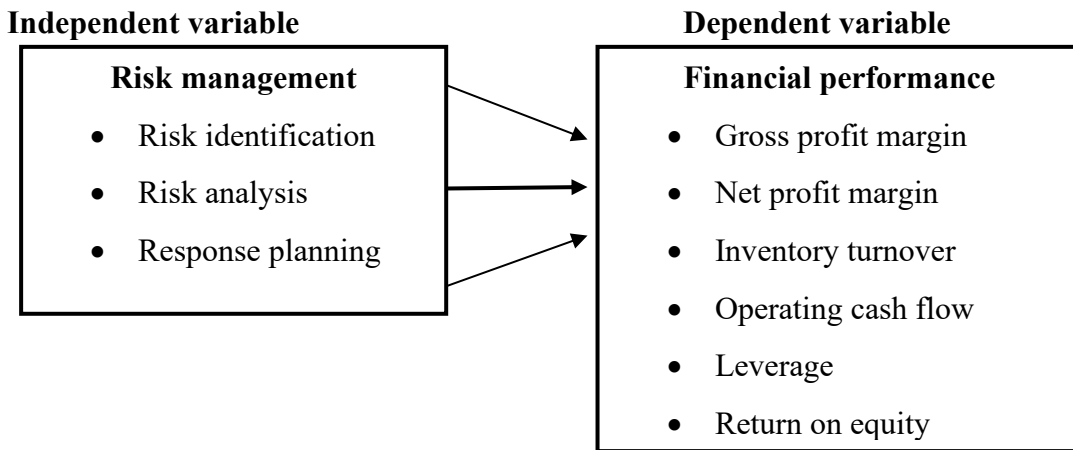
- The Bank Management: it is of significance to the banks as it can enable them appreciate the critical role performance and the various measures to adopt to sustain optimal performance and growth.
- The Government: It is of significant to the government as it can enable government to design credit policy procedures and guidelines that would enhance commercial banks growth and could also put measures in place to ensure proper monitoring and strict compliance with laid down rules and procedures.
- The competitors: It may help competing firms to design measures which shall help them to survive in such a highly competitive environment and market.
- The students and researchers: It is of tremendous help to students and other researchers who embark on research in the same area as it serves as a guide and source of further reference.
- The general public: It can help the public to know the role credit management plays in the

performance of commercial banks. It also enabled them to know whether banks have in place good credit policies that enhance their performance.

1.8 Justification

There has been a problem of big amounts of bad loans written off and non-performing loans by the Commercial Banks in Uganda and there is no research that has been conducted to find out how bad loan and non-performing loans affect the performance of commercial banks in Uganda. This study would fill the above gap by finding out the effect of credit management on performance of commercial Banks in Uganda especially DFCU Bank Mbale branch.

1.9 Figure 1 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 Theoretical perspective

Enterprise Risk Management Theory

ERM is a risk management philosophy that promotes and encourages the measurement and management of significant risk facing a particular institution as a whole as opposed to the management of each risk independently. Its primary objective is to unify several departments responsible for handling risks into a single, cohesive system. When it comes to analyzing and responding to a wide variety of risks facing a firm, the ERM risk management framework places an emphasis on the participation of senior corporate leaders and staff. The concept behind this term is to involve all members of a business in strategic risk management procedures, not just a chosen few. The ERM highlights the importance of having clear policies and processes in place for dealing with possible risks. As per Olson and Wu (2010), the theory also validates that by implementing explicit rules that outline risk appetite, strategic goals, tolerance, and systematic processes, businesses can improve their ability to identify, analyze, and handle risks.

Creating a culture of strategic risk management practices, where everyone has a voice and is held responsible for handling risks, is another key component of the method. ERM procedures increase long-term viability, stakeholder confidence, and competitive advantage (Cormican, 2015). Despite its origins in the management of corporate risks, the ERM theory has found widespread application in the banking sector. According to Drumll (2001), the banking industry has a high failure rate due to the financial risks linked with the banking industry, hence it is essential to adopt the ERM concept.

Therefore, this theory was pertinent to this study because it focused on the strategic risk management practices of commercial banks, and these failures were thought to occur as a result of a failure to identify, mitigate, and control risk across the entire organization. This therefore was therefore important towards the current study as it tended to encourage the management to look at the organization as one unitary unit and collaborate all the units towards addressing the risks that the organization faces (Drumll 2001).

Enterprise risk management (ERM) theory is a framework that helps organizations identify, assess, and manage risks that could impact their objectives and goals. ERM theory is based on several assumptions, including the idea that risks are inevitable and that organizations must proactively manage them to achieve success. ERM theory also assumes that risks can be managed through a structured approach that includes risk identification, assessment, prioritization, response, and monitoring (Drumll 2001).

While ERM theory has been widely adopted by many organizations, it has also faced some criticism. Some critics argue that ERM theory is too focused on process and not enough on outcomes. Others argue that ERM theory is too complex and difficult to implement effectively. There have also been instances where ERM theory has failed to prevent major risks, such as the global financial crisis of 2008 (Drumll 2001). Despite these criticisms and failures, ERM theory has also been successful in many instances. For example, ERM theory has helped organizations in the healthcare industry to identify and manage risks related to patient safety and quality of care. ERM theory has also been useful in the banking industry, where it has helped banks to identify and manage risks related to credit, market, and operational risks (Drumll 2001).

In recent years, there have been revisions to ERM theory to address some of the criticisms and challenges associated with the framework. One of the most significant revisions has been the inclusion of strategic risk management, which focuses on identifying and managing risks that could impact an organization's strategic objectives and goals. Other revisions include a greater emphasis on risk culture and risk governance, as well as the use of technology to improve risk management processes (Drumll 2001). This theory anchors the dependent variable and the independent variable.

2.2 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.

2.3 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 Shrivies (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.

2.4 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.

2.5 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 DFCU Bank Mbale branch of different departments whom which comprised of branch managers, branch officers, loans officers; human resource manager, tellers, and auditors, all were respondents from DFCU 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 DFCU Bank Mbale branch which included branch managers, branch accounts, risk management officers; human resource manager, customers, 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 sample was arrived using Morgan sampling table 1970.

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

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	Simple random sampling
Secretaries	4	3	Simple random sampling
Human resource manager	1	1	Purposive sampling
Auditors	2	1	Simple random sampling
Risk management officers	8	8	Purposive sampling
Customers	40	35	Simple random sampling
Tellers	14	10	Simple random 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 branch manager, human resource officer and risk management officers

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 accountants, secretaries, auditors, customers and tellers

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 was 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 DFCU 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 PRESENTATION, INTERPRETATION AND DISCUSSION OF THE FINDINGS

4.0 Introduction

This chapter presents the findings on effect of risk management on financial performance of commercial banks in Uganda, case of DFCU bank, Mbale branch. 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 Dfcu Mbale branch.

4.2.2 Marital Status of Respondents

Table 2 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 DFCU 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 3 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 4 showing years of working by respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
Less than 1 year	15	24.0	24.0	24.0
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 Dfcu 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 5 Showing academic qualification of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	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 DFCU 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 DFCU Bank Mbale branch

Table 6 Showing the effect of risk identification on financial performance of DFCU Bank Mbale branch

Detail	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean	S.D
Your staff ensures that all potential project risks are identified	30.0	24.0	17.0	29.0	19.0	1.681	0.892
You improve the chances of project success	5.0	14.0	6.0	29.0	46.0	2.116	1.136
You provide information for the next step of the risk management process	11.0	22.0	13.0	32.0	22.0	2.967	1.262
employees always brainstorm the probability of various catastrophic events	33.0	29.0	16.0	3.0	19.0	3.317	1.421
Careers in safety management often entail planning for the worst while expecting the best	48.0	13.0	14.0	22.0	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 below indicates that 30% strongly agree, 24% Agree to the statement that employees ensure that all potential project risks are identified, while 10% Disagree, 19% strongly disagree to

the same statement, 17% were not sure hence implying that employees ensure that all potential project risks are identified.

When asked whether respondents improve the chances of project success 5% strongly agree, 14% agree to the statement while 29% disagree, 46% disagree to the same statement while 6% of the respondents were not sure. This concurs with the research carried out by Van der Stede, (2000) affirmed that respondents improve the chances of project success there by implying that respondents do not improve the chances of project success.

It can also be seen that majority constituting minority of respondents 11% strongly agree, 22% Agree to the statement that respondents provide information for the next step of the risk management process, 32% Disagree, 22 strongly disagree to the same statement, 13% were not sure. This is an indication that respondents do not provide information for the next step of the risk management process.

It was also observed that majority of the respondents 33% strongly agree, 29% agree to the statement that employees always brainstorm the probability of various catastrophic events, 3% Disagree, 19% strongly disagree to the same statement while 16% of the respondents were not sure. This was in accordance to Hindorf (2001) stressed that employees always brainstorm the probability of various catastrophic events implying that employees always brainstorm the probability of various catastrophic events.

Furthermore, it can be intimated that 48% strongly agree, 13% Agree to the statement that careers in safety management often entail planning for the worst while expecting the best, 22% Disagree, 3% strongly disagree to the same statement forming the majority of the respondents while 14% of the respondents were not sure. However, such findings concur with the research carried out by Watson (2000) denoted that career in safety management often entail planning for the worst while expecting the best hence this is an indication that careers in safety management often entail planning for the worst while expecting the best.

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 DFCU 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 DFCU Bank Mbale branch. The results from analysis are presented in the model summary and coefficients tables below.

Table 7 showing regression model summary and coefficients for the risk identification on financial performance of DFCU Bank Mbale branch R2

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F-statistic
1	.330 ^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 .330. R² Indicates coefficient correlation of the two variables risk identification and financial performance which is R² .111.

Analysis in the model summary reveals R Square = 0.111 (0.111*100 = 11.10% which indicates strong positive effect of Risk identification on employee performance at DFCU Bank. Thus, R Square indicates a good employee performance as a result of Risk identification. In terms of percentage of variation in financial performance as explained by the Risk identification s, the findings reveal that Risk identification contributed to 11% of the variation in financial performance as explained by R square of .111 which shows that the model is the good prediction. Thus, it can be deduced from the model summary that Risk identification explains 0.111 or 11.0% percent of the financial performance while 89 percent is explained by other factors beyond Risk identification.

R it means correlation between the two variables which are risk identification and financial performance the study revealed R of .330. R^2 Indicates coefficient correlation of the two variables risk identification and financial performance which is R^2 .111

An adjusted R^2 of 0.096 implies that risk identification explains and predicts insignificantly 9.6% variations in financial performance of DFCU Bank Mbale branch and the remaining 90.4% is explained by other factors. Basing on such findings, the researcher therefore concludes that risk identification significantly and positively affects financial performance of DFCU Bank Mbale branch.

Coefficients

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 DFCU Bank Mbale branch.

Table 8 Showing the relationship between effects of risk analysis on financial performance of DFCU Bank Mbale branch

Details	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean	S.D
You anticipate and reduce the effect of harmful results from adverse events	35.0	21.0	3.0	31.0	10.0	2.250	1.230
You are in position to evaluate whether the potential risks of a project are balanced by its benefits.	33.0	47.0	13.0	2.0	5.0	2.000	.974
Your staff take the guesswork out of managing risk-related issues	6.0	14.0	24.0	43.0	13.0	1.750	.950
Yours staff determine new security requirements	25.0	32.0	10.0	13.0	20.0	1.867	.676
You identify the impact and the preparation of the changes in the environment of the enterprise	35.0	16.0	10.0	22.0	17.0	3.133	3.605
Average mean						2.20	1.487

Source: Primary data (2024)

With reference to table 9 above, it can be seen that 35% strongly agree, 21% Agree to the statement that respondents anticipate and reduce the effect of harmful results from adverse events, 31% Disagree, 10% strongly disagree 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 agree, 47% Agree to the statement that respondents are in position to evaluate whether the potential risks of a project are balanced by its benefits, 2% Disagree, 5% strongly disagree 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 agree, 14% Agree to the statement that employees take the guesswork out of managing risk-related issues, 43% Disagree, 13% strongly disagree 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 agree, 32% Agree to the statement, 10% of the respondents were not sure while 13% Disagree, 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 agree, 16% Agree to the statement that respondents identify the impact and the preparation of the changes in the environment of the enterprise, 22% Disagree, 17% strongly disagree 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 Dfcu Mbale branch.

For analysis of the effect of risk analysis on financial performance of Dfcu 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 9 Regression model summary and coefficients for the effect of risk analysis on financial performance of Dfcu 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

Coefficients

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. An adjusted R² of 0.077 implies that risk analysis explains and predicts significantly 7.7% variations in financial performance of DFCU Bank Mbale branch and the remaining 92.3% explained by other factors. Basing on such findings, the researcher therefore concludes that risk analysis significantly and positively affects financial performance of DFCU Bank Mbale branch.

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

Table 10 Showing the effect of response planning on financial performance of DFCU Bank Mbale branch

Detail	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean	S.D
Your staff ensures that identified risks are properly addressed	8.0	21.0	11.0	29.0	31.0	2.350	1.448

You determine actions to enhance opportunities and reduce threats to the project`s objectives	38.0	24.0	17.0	6.0	15.0	2.383	1.993
Your staff are appropriate to the severity of the risk	22.0	29.0	16.0	14.0	19.0	2.267	1.260
Failure in strictly applying the law	54.0	21.0	2.0	17.0	6.0	2.667	1.130
Lack of public and staff education about disaster risks	43.0	25.0	13.0	16.0	3.0	2.367	1.823
Average mean						2.407	1.1308

Source: Primary data 2024

With reference to table 11 above, it can be seen that 8% strongly agree, 21% to the statement that employees ensure that identified risks are properly addressed, 29% Disagree, 31% strongly disagree to the same statement while 11% of the respondents were not sure. This concurs with the research carried out by Mureithi (2008) who stated that employees ensure that identified risks are properly addressed. This implies that employees do not ensure that identified risks are properly addressed.

It can be observed that the majority of the respondents 38% strongly agree, 24% agree to the statement that respondents determine actions to enhance opportunities and reduce threats to the project`s objectives, 6% Disagree, 15% strongly disagree to same while 17% of the respondents were not sure. This agrees with the research carried out by Wrigley (2008) stressed that respondents determine actions to enhance opportunities and reduce threats to the project`s objectives hence implying that respondents determine actions to enhance opportunities and reduce threats to the project`s objectives.

When asked whether employees are appropriate to the severity of the risk, 22% strongly agree, 29% strongly agree to the statement, 14% Disagree, 19% strongly disagree to the same statement mean while 16% of the respondents were not sure. These findings were in line with Danida, (2012) who articulated those employees are appropriate to the severity of the risk. This is an indication that employees are appropriate to the severity of the risk.

It can also be observed that the majority of the respondents 54% strongly agree, 21% Agree to the statement that there is failure in strictly applying the law, 17% Disagree, 6% strongly disagree to the same statement while 2% of the respondents were not sure. This was in accordance to Várzea (2005) pointed out that there is failure in strictly applying the law. This is a manifestation that there is failure in strictly applying the law.

It can be observed that the majority of the responds 43% strongly agree, 25% agree to the statement that there is lack of public and staff education about disaster risks, 16% Disagree, 3% strongly disagree to the same statement while 13% of the respondents were not sure hence implying that there is lack of public and staff education about disaster risks.

4.4.6 Regression Analysis for the effect of response planning on financial performance of DFCU Bank Mbale branch.

In order to analyze the effect of response planning on financial performance of DFCU 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 11 Showing regression model summary and Coefficients for the effect of response planning on financial performance of DFCU Bank Mbale branch.

Model Summary

Model	R	R Square	Adjusted R Square	F-Statistic	Std. Error of the Estimate
1	.193a	.038	.021	8.642	.588

a. Predictors: (Constant), Response planning

Coefficients

Model		Un standardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	3.356	.374		.000

Response planning	.091	.100	.114	.169
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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. An adjusted R² of 0.021 implies that response planning explains 2.1% variations in financial performance of DFCU Bank Mbale branch. However, these variations are not significant in affecting financial performance. Basing on such findings, the researcher therefore concludes that response planning positively affects financial performance of DFCU Bank Mbale branch however much the effect that exists between the variables is significant.

4.5 Financial performance

Table 12 Showing the status of financial performance

Detail	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean	S.D
Book keeping skills have improved	35.0	21.0	3.0	31.0	10.0	2.350	1.448
You are able to manage emergencies	33.0	47.0	13.0	2.0	5.0	2.383	1.993
You are able to meet short-term obligations such as tax.	6.0	14.0	24.0	43.0	13.0	2.267	1.260
You are in position to make proper investment decision.	25.0	32.0	10.0	13.0	20.0	2.667	1.130
You have the capacity to expand your enterprise at ease.	35.0	16.0	10.0	22.0	17.0	2.367	1.823
Average mean						2.407	1.1308

Source: Primary data 2024

With reference to table 13 above, it can be seen that 35% strongly agree, 21% Agree to the statement that book keeping skills have improved, 31% Disagree, 10% strongly disagree to the same statement while 3% of the respondents were not. This is an indication that book keeping skills have improved.

It can be observed that the majority of the respondents 33% strongly agree, 47% Agree to the statement that respondents are able to manage emergencies, 2% Disagree, 5% strongly disagree to the same statement while 13% of the respondents were not sure. These findings concur with the research carried out by Schein, (2011) opined that respondent are able to manage emergencies implying that respondents are able to manage emergencies.

When asked whether respondents are able to meet short-term obligations such as tax, 6% strongly agree, 14% Agree to the statement, 43% Disagree, 13% strongly disagree to the same statement and 24% of the respondents were not sure. This is an indication that respondents are not able to meet short-term obligations such as tax.

It can also be observed that the majority of the respondents 25% strongly agree, 32% Agree to the statement that respondents are in position to make proper investment decision ,10% of the respondents were not sure while 13% Disagree, 20% strongly disagree to the same statement making the minority of the respondents. This implies that respondents are in position to make proper investment decision.

It can be seen that 35% strongly agree, 16% Agree to the statement that respondents have the capacity to expand your enterprise at ease, 22% Disagree, 17% strongly disagree to the same statement while 10% of the respondents were not sure. This is an indication that respondents have the capacity to expand their enterprise at ease.

4.5 Qualitative data

According to the respondents, the process that their organization follows to identify and assess risks involves a systematic approach. They mentioned that it starts with a comprehensive risk assessment, where potential risks are identified through workshops, brainstorming sessions, and thorough analysis of various factors. After the risks are identified, they are prioritized based on

their likelihood and potential impact. The organization then uses various risk assessment tools and techniques, such as risk heat maps, scenario analysis, and historical data analysis, to quantify the impact of these identified risks. When quantifying the impact of identification on the financial performance of their bank, respondents mentioned that their organization uses key financial indicators, such as profitability ratios, return on assets, and shareholder value, to measure the direct impact. They further explained that by identifying risks early on, their bank is able to take proactive measures to mitigate these risks, resulting in improved financial performance. They also mentioned that they conduct regular performance reviews to track the financial impact of risk identification and make necessary adjustments to their risk management strategies. Regarding the correlation between the effectiveness of risk identification and financial performance, respondents acknowledged a strong positive correlation. They noted that effective risk identification allows their organization to anticipate and address potential vulnerabilities, which, in turn, helps in minimizing financial losses and maximizing opportunities. They emphasized that the ability to accurately identify risks allows them to make informed decisions and allocate resources efficiently, contributing to improved financial performance. In terms of updating risk identification techniques and tools, the respondents reported that their organization regularly evaluates their existing practices to ensure they remain relevant in a changing business landscape. They mentioned that they stay updated with industry trends and best practices, and actively seek feedback from internal stakeholders and external experts. This helps them identify any gaps or emerging risks and implement necessary enhancements to their risk identification processes. They emphasized the importance of continuous improvement to adapt to evolving business dynamics and maintain an effective risk management framework. When asked about specific examples where improved risk identification led to better financial outcomes, the respondents shared various instances. They described how identifying a potential credit risk in a particular loan portfolio allowed them to take necessary mitigating actions, preventing significant financial losses. They also mentioned how improved risk identification in their investment portfolio helped them identify lucrative opportunities and make profitable investment decisions. These examples highlight the direct impact of effective risk identification on financial outcomes, emphasizing its significance in maintaining a strong financial position for their organization.

In response to the question, "What methodologies does your bank use to analyze risks and their potential impact on financial performance?", the majority of respondents stated that their banks

employ a combination of quantitative and qualitative methodologies. These include statistical modeling, scenario analysis, stress testing, and expert judgment. Several respondents also mentioned the use of risk management frameworks, such as the Basel III framework, to guide their risk analysis processes. Overall, the respondents emphasized the importance of a comprehensive approach that considers both internal and external factors in assessing risks and their potential impact on financial performance. When asked about how they integrate the results of risk analysis into their financial decision-making process, the majority of respondents highlighted the significance of a risk-based approach. They stated that the results of risk analysis inform key financial decisions, such as setting risk appetite, capital allocation, and pricing strategies. Respondents also mentioned the integration of risk analysis into their strategic planning processes, as well as the involvement of senior management and board of directors in reviewing and approving decisions based on risk analysis results. It was clear from the responses that the integration of risk analysis is seen as a crucial component in ensuring the financial sustainability and stability of the banks. Respondents were divided in their response to the question regarding the measurable difference in financial performance as a result of more sophisticated risk analysis methods. While a significant number of respondents claimed to have observed positive impacts on financial performance, such as improved risk-adjusted returns and better capital allocation, some respondents expressed challenges in directly attributing financial performance solely to risk analysis methods. They mentioned that various external factors, such as market conditions and macroeconomic trends, also influence financial performance. Nonetheless, the overall sentiment was that more sophisticated risk analysis methods have contributed to better risk management practices and enhanced financial decision-making capabilities. In terms of ensuring that risk analysis remains updated and aligned with evolving risks faced by organizations, respondents stressed the importance of establishing a robust risk governance framework. This includes regular risk assessments, ongoing monitoring of key risk indicators, and leveraging technology and data analytics for timely risk detection. Many respondents mentioned the involvement of dedicated risk teams or departments tasked with continuously updating risk analysis methodologies and tools. Additionally, respondents highlighted the importance of proactive engagement with regulators, industry peers, and risk management associations to stay informed about emerging risks and best practices. It was evident from the responses that organizations prioritize a dynamic and adaptive approach to risk analysis to effectively address evolving risks.

, a comprehensive risk analysis positively affected our bank's financial performance when we identified potential risks related to a new investment opportunity. By conducting a thorough analysis, we were able to assess the potential impact on our financial resources and make an informed decision. This prevented us from making a risky investment that could have negatively impacted our financial performance. To develop response plans to mitigate identified risks, our organization follows a structured approach. We first identify and assess all potential risks, considering their likelihood and impact. Then, we prioritize risks based on their significance and develop specific response plans for each identified risk. These response plans involve assigning responsibilities, establishing control measures, and implementing mitigation strategies. Throughout this process, we ensure involvement from all relevant stakeholders and subject matter experts to ensure a comprehensive and effective response plan. In our experiences, the responsiveness and efficiency of our response planning have a direct impact on our financial performance. Timely identification and mitigation of risks can prevent or minimize potential financial losses. By having a well-defined and well-implemented response plan, we are able to address risks swiftly and mitigate their impact on our financial performance. Prompt action and efficient execution of response plans positively contribute to maintaining overall financial stability and growth. Yes, we have encountered situations where effective response planning significantly influenced financial outcomes. For instance, when we faced a cyber-security breach, our response plan helped us to swiftly address the issue, minimize data loss, and protect our financial assets. The well-executed response plan enabled us to quickly restore operations and maintain the trust of our customers and stakeholders. This incident showcased the importance of effective response planning in safeguarding our financial performance. To measure the success of our response plans in preserving financial performance, we utilize key performance indicators (KPIs) aligned with our risk mitigation goals. These KPIs include metrics such as financial losses incurred due to identified risks, the time taken to respond and recover from incidents, and the overall impact on profitability. Regular monitoring and reporting of these KPIs allow us to assess the effectiveness of our response plans and make any necessary adjustments for continuous improvement. In order to continuously enhance our response planning processes for better financial resilience, we employ several strategies. Firstly, we actively seek feedback from internal and external stakeholders to identify areas of improvement. This input helps us identify gaps or weaknesses in our response plans and make necessary adjustments. Additionally, we stay updated with industry best practices

and emerging risks, enabling us to incorporate the latest knowledge into our response planning. Regular training and skill development programs also help to enhance the capabilities of our response teams. Through these efforts, we strive to maintain a proactive and adaptable approach to response planning, ensuring our organization remains financially resilient in a dynamic and rapidly evolving business landscape.

CHAPTER FIVE

SUMMARY OF THE FINDINGS, DISCUSSIONS, 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 DFCU Bank Mbale branch.

The study investigated into the effect of risk identification on financial performance of DFCU Bank Mbale branch. Results according to descriptive statistics showed that most respondents were positive to the statements that they were asked. For example; majority of respondents constituting 30% strongly agree, 24% Agree to the statement that employees ensure that all potential project risks are identified; 33% strongly agree, 29% agree to the statement; 48% strongly agree, 13% Agree to the statement that careers in safety management often entail planning for the worst while expecting the best.

On the other hand, while 29% disagree, 46% disagree to the statement that respondents improve the chances of project success, besides 32% Disagree, 22 strongly disagree to the to the statement that respondents provide information for the next step of the risk management process.

Most responses were positive indicating that risk identification has a significant effect on financial performance of DFCU Bank Mbale branch.

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

The study investigated into the effect of risk analysis on financial performance of DFCU Bank Mbale branch.

Results according to descriptive statistics indicated that majority of the respondents 35% strongly agree, 21% Agree to the statement that respondents anticipate and reduce the effect of harmful results from adverse events, 33% strongly agree, 47% Agree to the statement that respondents are in position to evaluate whether the potential risks of a project are balanced by its benefits, it can be observed that 25% strongly agree, 32% Agree to the statement that employees determine new security requirements, and 35% strongly agree, 16% Agree to the statement that respondents identify the impact and the preparation of the changes in the environment of the enterprise while 43% Disagree, 13% strongly disagree to the same statement that employees take the guesswork out of managing risk-related issues, Most responses were positive indicating that risk analysis has a significant effect on financial performance of Dfcu Mbale branch.

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

Results according to elucidation statistics revealed that 22% strongly agree, 29% strongly agree to the statement that employees are appropriate to the severity of the risk, 54% strongly agree, 21% Agree to the statement that there is failure in strictly applying the law, 43% strongly agree ,25% agree to the statement that there is lack of public and staff education about disaster risks, and 38% strongly agree, 24% agree to the statement that respondents determine actions to enhance opportunities and reduce threats to the project`s objectives.

On the other hand, 29% Disagree, 31% strongly disagree to the same statement to the statement that employees ensure that identified risks are properly addressed.

Most responses were positive indicating that response planning has a significant effect on financial performance of DFCU 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 DFCU 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 DFCU 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 DFCU 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

The bank should establish 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.

There is need to implement 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.

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 risk transfer on Financial Performance in the Banking Sector
- ii. Risk avoidance on Financial Performance in the Banking Sector
- iii. Risk acceptance Financial Performance in the Banking Sector

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APPENDIX: I

QUESTIONNAIRE

Dear respondent;

I am Nabuzale Esther carrying out research on the topic “**Risk management and financial performance of commercial banks case of DFCU bank, Mbale branch.**” 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 Dfcu 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 Dfcu 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 Dfcu 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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Office of Academic Registrar

To: THE BANK MANAGER
DFCU MBALE



Dear Sir/Madam,

Re: Academic Research

Christian greetings!

We are honored to introduce to you Mr. Mrs./Miss NABUZALIE ESTHER
Of Registration Number: S23/MUC/BBA/128 pursuing a Masters
Degree/Postgraduate Diploma / Bachelor's Degree
BUSINESS ADMINISTRATION

He/ she is required to carry out an academic research on the topic
USE MANAGEMENT AND FINANCIAL PERFORMANCE OF COMMERCIAL
BANKS IN EASTERN UGANDA CASE OF DFCU BANK MBALE

and thereafter produce a well bound hard cover research report (MAROON) in color for undergrad
and three (BLACK) copies for Postgraduate students as a University requirement for the award
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,



Timothy Akampurira
Academic Registrar