

**CORPORATE GOVERNANCE AND ORGANIZATIONAL PERFORMANCE IN
COMMERCIAL BANKS: A CASE OF FINANCE TRUST BANK MBALE BRANCH**

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WS21/MUC/BBA/010

**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT
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**UGANDA CHRISTIAN
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DECLARATION

I Babirye Audrey, declare that the content of this research report is my original work and to the best of my knowledge this work has never been submitted anywhere for any award. It is done through my own efforts.

Signature:



.....

Date: **14TH AUGUST 2024**

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APPROVAL

I certify that this is original work drawn by Babirye Audrey has been under my supervision and is now ready for submission to the department of business of Uganda Christian University.

Signed


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Date 29th August 2024

DEDICATION

I dedicate this research report to my beloved mother, Kyambadde Beatrice Nafuna, whose unwavering financial support has been the cornerstone of my academic journey. I also extend my heartfelt gratitude to my sisters, Nakato Enid and Nanyonjo Juliet, for their constant encouragement and financial assistance, which have been instrumental in the completion of this study.

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LIST OF ABBREVIATIONS

ADB	:	African Development Bank
CSR	:	Corporate Social Responsibility
CVI	:	Content Validity Index
ERM	:	Enterprise Risk Management
FTB	:	Finance Trust Bank
IIA	:	Institute of Internal Auditors
OECD	:	Organization for Economic Cooperation and Development
ROA	:	Return on Assets
ROE	:	Return on Equity
SPSS	:	Statistical Package for Social Sciences
UCU	:	Uganda Christian University

ABSTRACT

This research report was undertaken to investigate on corporate governance and organizational performance in commercial banks. It was guided by three objectives; to assess the effect of risk management on organizational performance of finance trust bank Mbale branch, to determine the effect of stakeholder engagement on organizational performance of finance trust bank Mbale branch, to analyze the effect of internal audit function on organizational performance of finance trust bank Mbale branch. The researcher used a sample size of 36 respondents then used questionnaires and interview guide to collect data which was later analyzed using the statistical package for social sciences. Results of the first objective shows that risk management has a significant effect on organizational performance of finance trust bank Mbale branch, Supported by the following responses; 66% were positive to the statement that risk management plays a vital role in enhancing operational performance; 44% were positive to the statement that risk management leads to improved operational control, 50% of the respondents had apposite response to the statement that effective risk management practices can foster innovation within organizations. Results of the second objective reveals that stakeholder engagement affects organizational performance of finance trust bank Mbale and was supported by the following responses which include; 42% of the respondents were positive to the statement that engaging stakeholders in decision-making processes can enhance innovation and creativity within organizations, 55% of the respondents were positive to the statement that effective stakeholder engagement can help organizations mitigate risk and enhance resilience while results of the third objective showed that internal audit function has a significant effect on organizational performance of finance trust bank Mbale branch supported by 61% forming the majority were positive to the statement that effective internal audit functions help organizations mitigate risks, enhance compliance, and safeguard assets, 47% were positive to the statement that the internal audit function plays a crucial role in enhancing organizational performance through monitoring. The bank should implement a structured approach to identify, assess, manage, and monitor risks. This includes risk assessment tools, risk registers, and regular risk reviews. Involve stakeholders at all levels in the risk management process to ensure a broad perspective on potential risks and their impacts.

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CHAPTER ONE INTRODUCTION

1.0 Introduction.

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

1.1 Background of the study

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

1.1.1 Historical back ground

The study of corporate governance and organizational performance in commercial banks holds significant importance in the global financial landscape. The concept of corporate governance emerged in the early 20th century as a response to growing concerns about the accountability and transparency of corporations. It gained further prominence after the global financial crises of the late 20th century, emphasizing the need for effective governance mechanisms in safeguarding the interests of stakeholders and ensuring sustainable organizational performance. From an international perspective, scholars and researchers have extensively explored corporate governance practices in commercial banks worldwide. The Organization for Economic Cooperation and Development (OECD) developed principles for corporate governance in 1999, offering a framework for countries to adopt best practices. International studies have examined the relationship between corporate governance mechanisms, such as board structure, executive compensation, and financial performance in commercial banks (La Porta et al., 2000; Claessens et al., 2002).

In an international perspective, different countries have developed their own corporate governance frameworks and regulations to address the specific needs of their financial systems. For instance, the United States introduced the Sarbanes-Oxley Act in 2002, which mandated stricter financial reporting and corporate governance requirements. Similarly, the United Kingdom implemented the UK Corporate Governance Code, emphasizing the role of independent directors and shareholder rights (Cadbury, 1992). These developments shaped the global discourse and influenced corporate governance practices in commercial banks worldwide. Within the African context, corporate governance in commercial banks has been a subject of

interest, considering the continent's diverse and evolving financial landscape. Studies have emphasized the impact of governance mechanisms on organizational performance, risk management, and financial stability in African commercial banks (Boahene & Abdelfattah, 2019). Researchers have investigated the influence of cultural factors, legal frameworks, and regulatory environments on corporate governance practices within the African banking sector (Anabila, 2017). In an African perspective, corporate governance practices in commercial banks have gained significant attention due to the continent's economic growth and expanding financial sectors. Various initiatives, such as the African Corporate Governance Network and the African Development Bank's Corporate Governance Scorecard, have been introduced to promote good governance practices in African banks (African Development Bank (ADB), 2018; Asiedu & Ntim, 2018). These efforts aim to enhance transparency, accountability, and risk management in the banking sector, ultimately contributing to improved organizational performance.

Zooming in on East Africa, the study of corporate governance and organizational performance in commercial banks has been a significant area of research. In the Ugandan context, studies have examined the role of governance mechanisms, such as board independence, ownership structure, and compliance with regulatory frameworks, on the performance and stability of commercial banks (Namawa, 2018). Researchers have also explored the adoption of international corporate governance principles and their effectiveness within the East African banking sector (Ssemwanga et al., 2019).

Within the Ugandan context, the perspective of Finance Trust Bank's Mbale Branch provides a valuable case study to explore the relationship between corporate governance and organizational performance. Targeted research on this specific branch can analyze governance structures, decision-making processes, and accountability mechanisms in place. It can investigate how these factors influence financial performance, risk management, and customer satisfaction within the branch. This micro-analysis will contribute to the broader understanding of corporate governance and organizational performance in commercial banking specifically in the Ugandan context. From a specific Ugandan perspective, Finance Trust Bank's Mbale branch is an example of a financial institution that has embraced the principles of corporate governance to enhance organizational performance.

1.1.2 Theoretical background

Agency theory

This study will be guided by agency theory, as discussed below;

One prominent theory for corporate governance and organizational performance in commercial banks is the agency theory. According to this theory, corporate governance mechanisms are essential to mitigate the agency problems that arise due to the separation of ownership and control in firms. In commercial banks, agency conflicts arise when managers act in their self-interest rather than in the best interest of shareholders. The agency theory emphasizes the monitoring and control mechanisms that can align the interests of managers and shareholders, ultimately impacting organizational performance.

One relevant citation is Berle and Means' (1932) seminal work, *The Modern Corporation and Private Property*. They argued that ownership and control are often separated in large corporations, leading to principal-agent conflicts. Following this, Jensen and Meckling (1976) expanded on agency theory, articulating that managers are the agents of shareholders and may prioritize their own goals over shareholder wealth maximization. Thus, mechanisms like board of directors, executive compensation, and shareholder activism are vital for controlling the agency problems and enhancing organizational performance.

Another citation relevant to this theory is Fama and Jensen's (1983) paper, *Separation of Ownership and Control*. They highlighted that agency problems can be addressed through corporate governance mechanisms such as monitoring by the board of directors, executive compensation contracts, and market discipline. Their study stressed the importance of aligning manager's interests with those of shareholders to enhance firm performance. By monitoring and incentivizing managers appropriately, commercial banks can reduce agency costs, improve decision-making, and ultimately achieve higher financial performance.

1.1.3 Conceptual background

Corporate Governance

Corporate governance is a system of rules, practices, and processes by which a company is directed and controlled. It involves balancing the interests of various stakeholders in order to achieve the company's objectives and promote long-term sustainability (Schware & Himes, 2010). The purpose of corporate governance is to ensure accountability, transparency, and ethical behavior within an organization.

Risk Management

The effectiveness of risk management practices directly impacts a bank's stability and governance (Gronroos T. 2017). Banks with robust risk management frameworks, including strong internal controls, risk assessment mechanisms, and compliance procedures, prioritize sound governance practices.

Stakeholder Engagement

Engaging key stakeholders, such as employees, customers, and local communities, can contribute to the overall effectiveness of corporate governance (Greene, S 2016). Stakeholder perspectives and feedback can inform decision-making and help maintain a positive reputation.

Internal Audit Function

The independence and effectiveness of an internal audit function help safeguard corporate governance (Nwabuzor L, 2015). It enables systematic evaluation of risk management, internal controls, and compliance with regulations, enhancing transparency and accountability within the bank.

Asset Quality

This refers to the composition and quality of a bank's loan portfolio. High-quality assets are those that are less likely to default or incur losses. A strong asset quality indicates sound lending practices and risk management. According to a study by Altunbas, Gambacorta, and Marqués-Ibáñez (2010), banks with better asset quality are associated with higher profitability, stronger capitalization, and greater resilience to adverse shocks.

Capital Adequacy

This refers to the amount of capital a bank holds in relation to its risk, ensuring it has sufficient buffers to absorb losses. Adequate capital levels protect depositors and enhance a bank's ability to withstand financial stress. A study by Berger and Bouwman (2013) found that banks with higher capital ratios experienced higher profitability, lower risk, and greater stability.

Profitability

This measures a bank's ability to generate profits from its operations. High profitability is a reflection of efficient operations, proper risk management, and strong customer relationships. Research by Coccorese and Pellicchia (2010) suggests that "profitable banks are better able to expand their lending activities while maintaining stable funding structures and lower credit risk.

Liquidity Management

This refers to a bank's ability to meet short-term obligations and handle unexpected cash outflows without severe disruptions. Effective liquidity management is crucial for a bank's stability. A study by Sufian and Habibullah (2010) found that banks with strong liquidity management had higher profitability and were more resilient during financial crises.

1.1.4 Contextual background

Finance Trust Bank is a financial institution operating in Uganda. It provides a wide range of banking services to individuals, businesses, and organizations. The bank has branches spread across various regions of Uganda, including one in Mbale. Mbale is a town located in the Eastern Region of Uganda. It is one of the major economic centers in the region and serves as a trading hub for surrounding towns and villages. The town has a diverse economy, with sectors such as agriculture, trade, transportation, and services playing a significant role.

The Finance Trust Bank Mbale branch operates within this vibrant economic landscape, aiming to serve the financial needs of the local community. It offers various banking products and services, including savings and current accounts, loans, business financing, foreign exchange, and digital banking solutions. The branch caters to both individual customers and businesses, providing tailored financial solutions to meet their specific requirements. It focuses on building sustainable relationships and delivering quality services to enhance the financial well-being of its customers.

Finance Trust Bank has a reputation for being customer-centric, emphasizing the importance of transparency, integrity, and professionalism in its operations. The Mbale branch aligns with the bank's mission and values, ensuring that it upholds the highest standards of customer service and maintains a strong presence in the local community. Through its Mbale branch, Finance Trust Bank aims to contribute to the economic development of the region by providing accessible and affordable banking services, promoting financial literacy, and supporting entrepreneurship and business growth.

1.2 Statement of the Problem

The contemporary corporate landscape is witnessing an increasing demand for effective corporate governance practices that enhance organizational performance. Commercial banks play a crucial role in the financial sector by mobilizing resources, managing risks, and facilitating economic growth. However, in the case of Finance Trust Bank Mbale Branch, there appears to be a pressing issue concerning the relationship between corporate governance practices and the bank's overall organizational performance. It is essential to investigate and understand the extent to which corporate governance practices within the branch impact its performance, thereby identifying the specific challenges and potential solutions for improvement.

Finance Trust Bank Mbale Branch, like many other commercial banks, operates in a complex and dynamic environment, which necessitates proper oversight and control mechanisms to mitigate risks and ensure effective decision-making processes. However, there have been indications of governance-related challenges within the branch, such as weak board structures, inadequate risk management frameworks, and a lack of transparency in reporting. These factors can potentially hinder the bank's ability to optimize performance indicators, including profitability, asset quality, and operational efficiency. Hence, assessing the link between corporate governance and organizational performance becomes crucial to identify the root causes of underperformance and to propose strategic measures accordingly.

Addressing the issues of corporate governance and organizational performance at Finance Trust Bank Mbale Branch is of utmost importance for several reasons. Firstly, a lack of effective governance practices may lead to misalignment between the bank's goals and the actions taken by its management, potentially harming stakeholder trust and confidence. Secondly, poor governance practices can hinder the implementation of sound risk management strategies, increasing the bank's exposure to financial and operational risks. Thirdly, suboptimal organizational performance negatively impacts the bank's ability to attract and retain customers, thereby affecting its market share and competitiveness. Therefore, a comprehensive analysis of the corporate governance practices and their impact on organizational performance is crucial to identify areas of improvement and implement appropriate strategies to enhance the overall performance of Finance Trust Bank Mbale Branch.

1.3 Purpose of the study

To examine on corporate governance and organizational performance in commercial banks

1.4 Specific objectives

- i. To assess the effect of risk management on organizational performance of finance trust bank Mbale branch
- ii. To determine the effect of stakeholder engagement on organizational performance of finance trust bank Mbale branch
- iii. To analyze the effect of internal audit function on organizational performance of finance trust bank Mbale branch

1.5 Research questions

- i. What is the effect of risk management on organizational performance of finance trust bank Mbale branch?
- ii. What is the effect of stakeholder engagement on organizational performance of finance trust bank Mbale branch?
- iii. What is the effect of internal audit function on organizational performance of finance trust bank Mbale branch?

1.6 Scope of the study

The study focused on content scope, time scope and geographical scope

1.6.1 Content scope

The study focused on risk management, stakeholder engagement, and internal audit function

1.6.2 Time scope

The study was based on a three year time frame (2016-2019). This is because this is the period when finance bank Mbale branch has been marred by leadership challenges, including allegations of abuse of office, lack of transparency, mismanagement of funds.

1.6.3 Geographical scope

The research was carried out at Finance Trust Bank, Mbale Branch is a bank in Mbale District, Eastern Uganda located on Plot 23 Republic Street. Finance Trust Bank, Mbale Branch is situated nearby to Post Office Mbale and the public building Office of the District Registrar.

1.7 Significance of the study

The significance of studying corporate governance and organizational performance in commercial banks, particularly Finance Trust Bank Mbale branch, is crucial for several reasons.

Enhancing transparency and accountability: Understanding corporate governance practices in the banking sector can help enhance transparency and accountability within organizations. This is important because banks handle public funds and engage in various financial activities that impact the wider economy and society.

Mitigating risks: Effective corporate governance practices may help identify and manage risks within commercial banks. By studying the relationship between governance mechanisms and organizational performance, potential risks may be identified and appropriate measures can be taken to mitigate them, thereby ensuring the stability and soundness of the banking sector.

Improving regulatory compliance: Banks operate in a highly regulated environment, and corporate governance plays a vital role in ensuring compliance with relevant laws and regulations. By examining the linkage between governance practices and organizational performance, insights may be gained on how to align the bank's operations with regulatory requirements.

Enhancing shareholder value: The performance of commercial banks directly affects shareholder value. Studying corporate governance mechanisms and their impact on organizational performance can shed light on the strategies and practices that maximize shareholder value. This is important in attracting and retaining investors, which contributes to the growth and sustainability of the bank.

Building trust and confidence: Corporate governance practices are essential in building trust and confidence among stakeholders, including customers, depositors, and the general public. By analyzing the relationship between corporate governance and organizational performance in Finance Trust Bank Mbale branch, insights may be gained on developing practices that foster trust and confidence, thereby improving the bank's reputation and market position.

1.8 Justification of the study

The study on corporate governance and organizational performance in commercial banks, specifically focusing on Finance Trust Bank Mbale Branch, serves to provide insights into the relationship between corporate governance practices and the overall performance of the bank.

Justification for conducting this study is discussed as below:

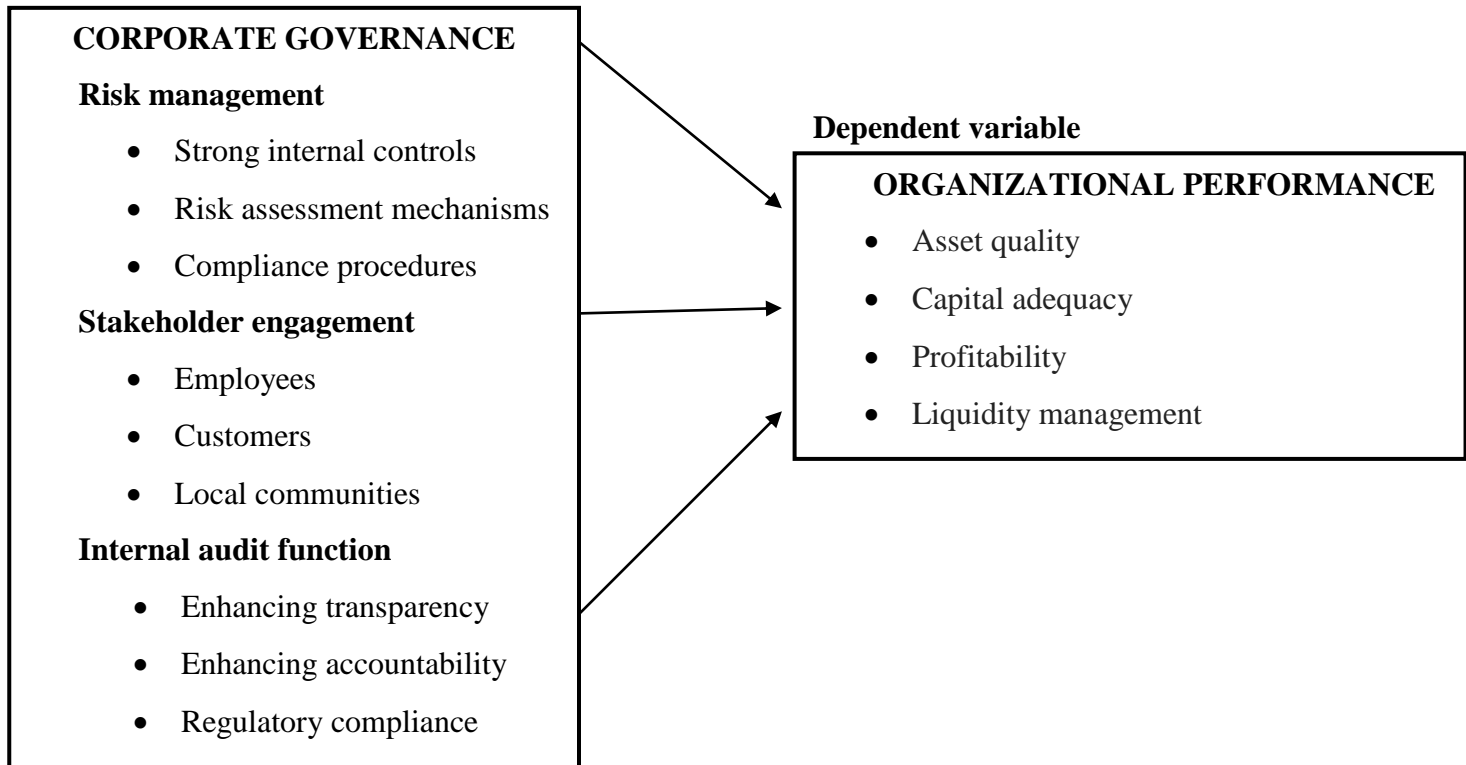
Importance of corporate governance: Corporate governance plays a pivotal role in ensuring transparency, accountability, and ethical conduct within an organization. Effective corporate governance practices are vital for establishing investor confidence, reducing agency costs, and mitigating potential risks. Examining the impact of corporate governance on the performance of Finance Trust Bank Mbale Branch may provide valuable insights into the effectiveness of its governance framework.

Unique context of commercial banks: Commercial banks operate within a highly regulated and competitive environment. Factors such as regulatory compliance, risk management practices, and internal control systems significantly influence the performance of commercial banks. By specifically focusing on Finance Trust Bank Mbale Branch, this study may derive context-specific recommendations for improving corporate governance practices within the commercial banking sector.

Organizational performance as an outcome: The study aims to assess the link between corporate governance practices and organizational performance. By analyzing key performance indicators such as profitability, asset quality, liquidity, and efficiency ratios, the study may provide an understanding of how effective corporate governance practices contribute to the overall performance of Finance Trust Bank Mbale Branch.

Relevance for stakeholders: The findings of this study may be of interest to various stakeholders, including the bank's management, shareholders, regulators, and customers. Understanding the impact of corporate governance on organizational performance may help these stakeholders make informed decisions about the bank's governance framework, strategic direction, and investment decisions.

1.9 Figure 1 conceptual frame work
Independent variable



Source: Researcher’s conceptualization (2024)

Figure 1 above conceptual framework articulates the relationship between corporate governance and the performance of commercial banks. Corporate governance acts as the independent variable, encompassing risk management, stakeholder engagement and internal audit function. Risk management involves strong internal controls, effective risk assessment mechanisms, and robust compliance procedures, all of which are essential in safeguarding the bank's assets and ensuring operational resilience. Stakeholder engagement encompasses interactions with employees, customers, and local communities, reflecting the importance of fostering strong relationships with these groups to build trust and support. Additionally, the internal audit function, with its emphasis on enhanced transparency, accountability, and regulatory compliance, plays a critical role in upholding governance standards. These components collectively contribute to shaping the corporate governance framework of the bank. On the other hand, the dependent variable, which is the organizational performance in commercial banks, is influenced by the effectiveness of asset quality, capital adequacy, profitability and liquidity management. Improved corporate governance, with its focus on risk management, stakeholder engagement,

and strong internal audit functions, can lead to enhanced performance outcomes for commercial banks, such as increased profitability, better risk management, and higher stakeholder satisfaction. Therefore, the conceptual framework illustrates how elements of corporate governance can impact the performance of commercial banks through their effective implementation and influence on organizational behavior and outcomes.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

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

2.1 Effect of risk management on organizational performance

Risk management plays a critical role in contemporary organizations, as it enables the identification, assessment, and treatment of potential risks that could threaten financial stability and operational success. This literature review presents a comprehensive analysis of the relationship between risk management practices and organizational performance, drawing upon relevant scholarly publications. The review seeks to provide insights into the effectiveness of risk management strategies and their impact on various dimensions of organizational performance. Risk management involves a structured process of identifying, analyzing, and treating risks to mitigate their potential impact on an organization. Several components comprise the risk management framework, including risk identification, risk assessment, risk measurement, risk treatment, and risk monitoring. These components together form the foundation of effective risk management practices (Carlarne, 2017).

Numerous studies have explored the relationship between risk management and financial performance, with several emphasizing the positive impact of effective risk management on an organization's financial outcomes. A study by Beasley, Clune, and Hermanson (2005) found that companies with more robust risk management systems had superior financial performances. Similarly, El-Masry (2015) conducted a study that linked risk management practices, such as risk identification and risk response, to improved financial performance. In addition to its influence on financial performance, risk management also plays a vital role in enhancing operational performance. Research suggests that effective risk management practices positively affect an organization's operational efficiency, productivity, and quality.

Hoyt and Liebenberg (2011) found that companies with robust risk management practices exhibited superior operational performance. Similarly, Jennifer and Amran (2011) suggested that effective risk management leads to cost reduction, improved operational control, and increased customer satisfaction. The relationship between risk management and innovation has gained attention in recent years. Research suggests that effective risk management practices can foster innovation within organizations. By effectively managing risks, firms can create a culture of experimentation and learning, which drives innovation and competitive advantage. Tarí, Molina-Azorín, and Heras (2012) studied the impact of risk management on innovation and found that firms with effective risk management processes had a higher level of innovation capability.

Numerous studies have investigated the impact of risk management on financial performance. For instance, Dechow et al. (2012) found that firms with effective risk management practices experienced lower volatility in earnings, leading to higher shareholder value. Similarly, Bodnar et al. (2013) observed a positive relationship between risk management and firm value in a sample of publicly traded companies. Effective risk management practices can also positively influence operational performance. Verbeeten (2008) explored the relationship between risk management and efficiency in Dutch municipalities, finding that organizations with formal risk management practices exhibited higher levels of efficiency. Furthermore, studies by Benson et al. (2014) and Loosemore et al. (2018) demonstrated a correlation between risk management and improved safety performance in construction projects.

Strategic outcomes, such as market share, competitive advantage, and customer satisfaction, are critical indicators of organizational performance. Research by Hillson (2007) revealed a significant positive relationship between risk management and strategic planning effectiveness, indicating that organizations that integrate risk management into their strategic decision-making processes achieve superior strategic outcomes. Establishing a strong risk culture is crucial for effective risk management. March and Shapira (2019) found that organizations with a robust risk culture tend to exhibit better risk management practices and superior performance outcomes. Effective governance and leadership play a critical role in risk management. Studies by Truong et al. (2017) and Amoako-Gyampah and Boye (2018) emphasize the importance of top management support, risk oversight, and accountability as key success factors in implementing risk management practices.

According to agency theory, risk management plays a vital role in aligning the interests of various stakeholders within an organization. Scholars argue that by implementing effective risk management practices, organizations can reduce conflicts of interest between managers and shareholders, leading to improved organizational performance (Eisenhardt, 1989; Jensen & Meckling, 1976). The resource-based view suggests that an organization's risk management capabilities can be a source of sustainable competitive advantage. By effectively managing risks, organizations can protect their valuable resources, enhance operational efficiency, and achieve superior performance (Barney, 1991; Huefner et al., 2014).

Research by Hitt et al. (2019) found that organizations that proactively identify and assess risks tend to have better financial performance. By incorporating risk identification and assessment processes into their strategic planning, organizations can identify potential threats and take appropriate actions to manage them, thus reducing the likelihood of financial losses. Studies by Cummins and Giesbrecht (2004) and Grace and Leverty (2008) demonstrate that effective risk financing strategies, such as insurance and hedging, positively affect an organization's financial performance. By transferring risks to external parties, organizations can reduce the financial impact of unexpected events and stabilize their financial position. Effective risk control and mitigation practices can significantly enhance an organization's operational performance. Research by Olson and Wu (2019) suggests that organizations that implement comprehensive risk control mechanisms experience fewer operational disruptions, leading to improved process efficiency and reduced costs.

The integration of risk management into decision-making processes positively impacts operational performance. A study by Kallinger and Mostert (2020) revealed that organizations that consider risk factors when making strategic decisions experience improved operational performance due to enhanced risk-awareness and informed decision-making. The fundamental relationship between risk management practices and organizational performance has been examined extensively across different industries and contexts. A study by Beasley et al. (2005) examined the impact of enterprise risk management (ERM) on the financial performance of publicly traded firms. They found a positive association between ERM adoption and improved financial performance, suggesting that effective risk management practices can contribute to enhanced profitability.

Several studies have explored the impact of risk management on financial performance metrics such as return on assets (ROA), return on equity (ROE), and stock returns. A comprehensive meta-analysis conducted by Pant and Ramachandran (2012) analyzed the relationship between risk management and financial performance across multiple industries. The results indicated a significant positive relationship between risk management and financial performance, emphasizing the importance of effective risk management strategies in driving superior financial outcomes. Operational efficiency is a critical aspect of organizational performance, and risk management practices can influence operational effectiveness. A study by Jokipii and Muhonen (2012) examined the relationship between risk management and operational efficiency in manufacturing firms. The findings revealed that firms with integrated risk management systems experienced higher levels of operational efficiency, reducing costs and improving overall performance.

Innovation plays a crucial role in sustaining organizational performance and competitiveness. It is necessary to investigate how risk management practices influence innovation capabilities. A research study by March-Chorda et al. (2016) explored the impact of risk management on technological innovation in the manufacturing sector. They found that effective risk management practices positively affected the firm's ability to innovate, fostering product development and market competitiveness. The perceptions of stakeholders, including customers, investors, and regulators, can significantly influence organizational performance. A study by Flammer (2015) investigated the effect of risk management disclosure on the perceptions of corporate social responsibility (CSR) activities. The results indicated a positive correlation between risk management disclosure and stakeholders' perception of CSR, enhancing overall organizational performance.

Numerous studies have examined the impact of specific risk management practices on organizational performance. One such practice is risk identification. By systematically identifying and assessing risks, organizations can proactively respond to potential threats, leading to improved performance (Abrar & Shahzad, 2017). Additionally, risk analysis techniques, such as qualitative and quantitative risk assessments, have been shown to enhance decision-making by providing valuable insights into potential risks and their potential impact on performance (Altuntas, 2016).

The integration of risk management into various organizational functions has been recognized as a crucial factor in improving organizational performance. Financial risk management, for instance, focuses on managing financial uncertainties and can contribute significantly to enhancing performance in terms of profitability and stability (Abdel-Maksoud & Shams El Din, 2018). Similarly, the integration of risk management into project management processes has been found to positively affect project performance (Harrison & Lock, 2017). The importance of risk culture within organizations cannot be overstated. Risk culture refers to the shared attitudes, values, and behaviors towards risk within an organization. Studies have demonstrated that a positive risk culture, where risk awareness and responsibility are embedded, can significantly improve overall organizational performance (Hartmann, 2019).

It is essential to consider sector-specific studies to understand the context-specific effects of risk management on organizational performance. For example, in the healthcare sector, effective risk management practices have been linked to improved patient safety, reduced medical errors, and enhanced overall performance (Pannu, Arwed, & Schoenherr, 2018). Similarly, in the banking sector, rigorous risk management has been shown to decrease the likelihood of financial crises and promote stability (Pike & Pike, 2015). Effective risk management practices are found to positively influence financial performance indicators. Studies indicate that organizations with robust risk management systems exhibit higher profitability, lower volatility in earnings, and superior financial resilience (Hitt et al., 2020; Linsley et al., 2011). For instance, Linsley et al. (2011) found a significant positive relationship between risk management practices and firms' return on equity.

Research suggests that effective risk management can enhance operational efficiency. Organizations that implement risk management practices experience reduced operational disruptions, improved supply chain performance, and increased productivity (Gimenez et al., 2016; Zsidisin et al., 2019). Gimenez et al. (2016) found that companies with effective risk management systems had superior supply chain capabilities, resulting in improved delivery performance and reduced lead times. Risk management also contributes to organizations' innovation capabilities and adaptability to dynamic environments. Organizations that effectively manage risks are more likely to engage in innovative activities, embrace technological advancements, and seize opportunities (Bradley et al., 2012; Grichnik et al., 2014).

Effective risk management practices positively influence stakeholders' satisfaction and trust. Organizations that prioritize risk management establish stronger customer relationships, enhance brand reputation, and build more reliable partnerships (Fragapane et al., 2018; Horng, 2012). Fragapane et al. (2018) identified a positive relationship between risk management practices and customer satisfaction in the banking industry. Risk management is no longer merely a compliance requirement but has evolved into a strategic tool that enables organizations to make informed decisions, adapt to changing circumstances, and create value. According to KPMG (2019), effective risk management practices are fundamental to achieving organizational objectives, sustaining long-term growth, and maintaining stakeholder trust.

Risk management facilitates better decision-making by providing decision-makers with timely and accurate information on potential risks. Research by Olsen and Saether (2019) indicates that organizations with robust risk management frameworks in place make more informed decisions and exhibit higher performance levels. One of the primary objectives of risk management is to minimize uncertainties and their detrimental effects on organizational performance. Research by Mitroff et al. (2015) suggests that well-implemented risk management practices reduce uncertainties and enhance organizational stability, leading to improved performance.

Effective risk management practices promote operational efficiency by identifying and eliminating inefficiencies, redundancies, and bottlenecks. A study by Al-Tamimi and Al-Mazrooei (2019) found that organizations with structured risk management systems experience improved operational performance, reduced costs, and enhanced profitability. Risk management enables organizations to align their strategies with potential risks and uncertainties. By considering risks during the strategic planning process, organizations can develop contingency plans and adapt their strategies accordingly. Research by McKinsey & Company (2018) reveals that organizations with effective risk management report greater success in executing their strategies and achieving desired outcomes. Effective risk management starts with the identification and assessment of potential risks. Organizations need to proactively identify internal and external risks, evaluate their severity and likelihood, and quantify their potential impact on organizational performance. Gupta and Barua (2018) emphasize the significance of comprehensive risk identification and assessment in developing appropriate risk mitigation strategies.

2.2 Effect of stakeholder engagement on organizational performance

Stakeholder engagement has gained significant attention in the field of management and organizational studies. It refers to the process of involving and collaborating with individuals or groups who have a stake or interest in an organization's activities or outcomes. Effective stakeholder engagement has been linked to numerous benefits, including improved organizational performance. This literature review aims to explore the existing body of research on the relationship between stakeholder engagement and organizational performance. Stakeholder engagement has been recognized as an essential component in organizational success (Freeman, 1984). When organizations actively involve stakeholders such as customers, employees, suppliers, and communities, it fosters a sense of inclusion, trust, and shared responsibility (Bhattacharya et al., 2008). This engagement can lead to positive outcomes for both the organization and its stakeholders, ultimately contributing to improved organizational performance.

Engaging stakeholders in decision-making processes can enhance innovation and creativity within organizations (Auh & Menguc, 2005). By involving stakeholders who possess diverse perspectives and expertise, organizations gain access to valuable insights and ideas that can drive innovation and promote competitive advantage (Sharma et al., 2020). Research has shown that organizations with higher levels of stakeholder engagement tend to have a greater capacity for adapting to changing market conditions and developing innovative products and services (Huhtala et al., 2013).

Stakeholder engagement plays a crucial role in building trust and reputation for organizations (Bhattacharya et al., 2008). When organizations actively involve stakeholders in decision-making and consult them on matters that affect them, it signals transparency and openness. This fosters trust among stakeholders, including customers, investors, and the wider community, which in turn positively impacts the organization's reputation (Peloza et al., 2012). Research demonstrates that organizations with strong stakeholder engagement practices have a better reputation, leading to increased customer loyalty and improved financial performance (Clarkson, 1995; Sen et al., 2006). Stakeholder engagement also extends internally to employees within an organization. Research has shown that engaging employees as stakeholders positively affects their commitment, satisfaction, and performance (Grant, 2012).

Effective stakeholder engagement can help organizations mitigate risk and enhance resilience (Linnenluecke et al., 2020). Engaging stakeholders enables organizations to identify and address potential risks, anticipate changes in the business environment, and develop strategies for mitigating adverse impacts. Stakeholder engagement also facilitates timely feedback and communication, enabling organizations to respond more effectively to challenges and disruptions, thus enhancing their ability to recover and adapt in turbulent times (Huhtala et al., 2013; Vargo et al., 2015). Organizations operate in complex environments where they interact with diverse stakeholders, including employees, customers, suppliers, communities, and regulatory bodies. Stakeholders play a crucial role in shaping an organization's performance, and effective engagement with stakeholders has been increasingly recognized as a key determinant of organizational success.

Several studies have demonstrated a positive relationship between stakeholder engagement and financial performance. For instance, a study by Eccles et al. (2012) found that companies which effectively engaged with their stakeholders achieved higher financial returns compared to those with less engagement. Moreover, Chatterji et al. (2014) concluded that stakeholder engagement positively influenced firms' ability to respond to environmental challenges and positively impacted financial performance. Stakeholder engagement can also impact operational performance. A study by Bareja et al. (2015) explored the relationship between stakeholder engagement and operational efficiency in the healthcare sector. The findings indicated that effective engagement with stakeholders, such as patients, physicians, and suppliers, resulted in improved operational performance indicators, including reduced waiting times and increased service quality.

Strategic performance refers to an organization's ability to align its activities with its strategic objectives. Ruppert-Stroescu and Hallam (2018) found that effective stakeholder engagement positively influenced an organization's strategic performance by enhancing its ability to gather crucial information, anticipate market changes, and adapt to evolving dynamics. Effective stakeholder engagement fosters trust and cooperation among stakeholders. This aspect was highlighted by Oliveria and Gehm (2018), who found that trust-building through stakeholder engagement positively impacted organizational performance by facilitating collaboration, sharing of resources, and aligning goals.

Numerous studies have explored the impact of stakeholder engagement on financial performance, illustrating a positive relationship. For instance, Korschun, Bhattacharya, and Swain (2014) found that firms implementing effective stakeholder engagement strategies experienced higher financial returns and increased shareholder value. Similarly, Berman, Wicks, Kotha, and Jones (1999) demonstrated that organizations that engage their stakeholders proactively also achieve superior financial performance. Engaging stakeholders can stimulate innovation and creativity, subsequently influencing organizational performance. A study by Hsueh et al. (2019) demonstrated that stakeholders' involvement in the innovation process led to the development of more innovative products and services, which positively impacted an organization's competitive advantage and overall performance.

Stakeholder engagement has been identified as a facilitator of innovation within organizations. Employees, customers, suppliers, and other stakeholders can provide valuable insights, ideas, and expertise that drive innovation. Lüdeke-Freund and Dembek (2017) highlighted the importance of stakeholder engagement in open innovation processes, enabling firms to tap into external knowledge for developing new products and services. Engaging stakeholders can help organizations manage and enhance their reputation, which is crucial in today's competitive business landscape. Deepening relationships and building trust with stakeholders can lead to positive stakeholder perceptions, which, in turn, enhance a firm's reputation (Brønn and Vrioni, 2001). Dowling, (2001) asserted that organizations that prioritize stakeholder engagement can successfully maintain and repair their reputation during crises.

Effective stakeholder engagement is closely linked to improved sustainability practices and performance. Jones, Comfort, and Hillier (2006) found that engaging stakeholders in sustainability initiatives leads to better environmental outcomes. Additionally, Bansal (2005) argued that stakeholder engagement can enable organizations to better identify and address social and environmental risks, ensuring long-term sustainability. Stakeholder engagement is believed to enhance decision-making and foster innovation within organizations. A study by Oreg et al. (2015) investigated the effect of stakeholder involvement on organizational innovation in a sample of 100 companies. The results demonstrated a positive association between stakeholder engagement and innovation performance.

A study by Du et al. (2013) examined the relationship between stakeholder engagement and organizational reputation in the banking industry. The findings indicated that proactive stakeholder engagement positively affected organizational reputation. Additionally, Deephouse (2007) highlighted the importance of stakeholder engagement in building trust and reducing reputational risks. Effective stakeholder engagement creates a supportive work environment that can lead to increased employee engagement and reduced turnover. Research by Rupp et al. (2018) explored the role of stakeholder engagement in the hospitality industry, demonstrating a positive relationship between stakeholder engagement and employee morale and retention. Furthermore, Cacioppe et al. (2012) stressed the significance of stakeholder engagement in fostering employee involvement and commitment.

A study by Mackey et al. (2016) examined the effects of stakeholder engagement on financial performance in the manufacturing industry. The findings suggested a positive relationship between stakeholder engagement and profitability. Moreover, Zhou and Tan (2018) conducted a meta-analysis of 42 studies and found a positive impact of stakeholder engagement on financial performance across different organizations. Engaging stakeholders is essential for organizational sustainability. A study by Russo and Harrison (2005) explored the impact of stakeholder engagement on environmental performance in the healthcare industry. The results demonstrated a positive relationship between stakeholder engagement and environmental sustainability. Additionally, Bansal and Clelland (2004) emphasized the role of stakeholder engagement in promoting social and environmental responsibility in organizations.

A study by Oreg et al. (2015) investigated the effect of stakeholder involvement on organizational innovation in a sample of 100 companies. The results demonstrated a positive association between stakeholder engagement and innovation performance. Similarly, Freeman et al. (2010) argued that stakeholder engagement supports better decision-making by providing access to diverse perspectives and knowledge. Engaging stakeholders can contribute to building a positive organizational reputation and trust. A study by Du et al. (2013) examined the relationship between stakeholder engagement and organizational reputation in the banking industry. The findings indicated that proactive stakeholder engagement positively affected organizational reputation. Additionally, Deephouse (2007) highlighted the importance of stakeholder engagement in building trust and reducing reputational risks.

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Engaging stakeholders can contribute to building a positive organizational reputation and trust. A study by Du et al. (2013) examined the relationship between stakeholder engagement and organizational reputation in the banking industry. The findings indicated that proactive stakeholder engagement positively affected organizational reputation. Additionally, Deephouse (2007) highlighted the importance of stakeholder engagement in building trust and reducing reputational risks. Effective stakeholder engagement creates a supportive work environment that can lead to increased employee engagement and reduced turnover. Research by Rupp et al. (2018) explored the role of stakeholder engagement in the hospitality industry, demonstrating a positive relationship between stakeholder engagement and employee morale and retention. Furthermore, Cacioppe et al. (2012) stressed the significance of stakeholder engagement in fostering employee involvement and commitment.

2.3 Effect of internal audit function on organizational performance

The internal audit function is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. According to the Institute of Internal Auditors (IIA), it encompasses evaluating and improving the effectiveness of risk management, control, and governance processes. Numerous studies have indicated a positive relationship between the internal audit function and financial performance. For instance, Mihret and Yismaw (2007) found a significant positive association between internal audit effectiveness and financial performance, suggesting that effective internal auditing can enhance financial control mechanisms and ultimately lead to improved financial outcomes.

The internal audit function also contributes to enhancing operational efficiency. Heikal et al. (2014) discovered a positive relationship between internal audit quality and operational performance, emphasizing that an effective internal audit function can identify inefficiencies, process bottlenecks, and recommend improvements to optimize organizational processes. Internal audit plays a vital role in ensuring compliance with laws, regulations, and internal policies. Malini et al. (2019) found a positive correlation between internal audit effectiveness, compliance, and risk management practices. Effective internal audit functions help organizations mitigate risks, enhance compliance, and safeguard assets. Independence and objectivity of the internal audit function are vital for its effectiveness. Eldenburg and Krishnan (2008) found evidence that the more independent and objective an internal audit function is, the better its contribution to organizational performance.

Effectiveness is also influenced by the quality of communication and collaboration between the internal audit function and other departments within the organization. Page et al. (2019) stated that effective communication between internal audit and management positively affects organizational performance. The internal audit function plays a crucial role in enhancing organizational performance through monitoring, evaluating, and improving risk management practices, control systems, and governance processes (Cohen, Pant, & Sharp, 2020). This section provides an overview of the literature on the effect of the internal audit function on organizational performance.

Effective internal control systems are essential for organizational performance. Internal audit helps to identify control weaknesses, assess the effectiveness of existing controls, and recommend improvements (Deloitte, 2018). Several studies have shown a positive association between the internal audit function and control quality (Zain, Ishak, & Iskandar, 2021). The presence of a strong internal audit function is therefore expected to enhance organizational performance by reducing operational inefficiencies and ensuring compliance with policies and regulations. Internal audit provides important assurance to stakeholders, including management, the board of directors, and external parties such as investors and creditors. By evaluating the efficiency and effectiveness of internal processes, the internal audit function instills confidence in the accuracy of financial reporting (Chan et al., 2019). The provision of reliable and accurate information positively impacts decision-making at various organizational levels, leading to improved performance.

Organizations depend on timely and accurate data to make informed strategic decisions. Internal audit facilitates this process by providing objective assessments of risks, internal controls, and performance measures (Lin & Huang, 2020). Furthermore, internal auditors possess unique insights into organizational operations, which can contribute to strategic planning processes (Jekosch, 2018). By aligning internal audit activities with strategic objectives, organizations can enhance their overall performance. The impact of the internal audit function on organizational performance is influenced by various factors, such as management support, organizational culture, and the independence of internal auditors (Lindén & Kallunki, 2018). This section highlights the importance of these factors and their influence on the effectiveness of internal audit in enhancing organizational performance.

Numerous studies have examined the relationship between internal audit and financial performance. For example, Chen et al. (2015) found a positive correlation between the internal audit function and financial performance in Chinese listed companies. Hence, an effective internal audit function enhances financial performance by improving risk management and control processes. The internal audit function also influences operational performance. Ndubisi and Chan (2015) conducted a study in Malaysia and found that a well-structured internal audit function positively affects operational performance.

The internal audit function plays a crucial role in identifying and assessing organizational risks. Hafsi and Turgut (2013) discussed how internal auditors' involvement in risk identification significantly improves risk management processes and ultimately leads to better organizational performance. Research has shown that an effective internal audit function contributes to the successful management of risks. Chen et al. (2012) conducted a study in Taiwan and found that internal audit functions focusing on risk mitigation positively impact both corporate governance and organizational performance. Effective internal audit functions are closely linked to good corporate governance practices. Internal auditors provide independent evaluations of governance processes, ensuring compliance with laws, regulations, and internal policies. Research by Abbasi et al. (2016) indicated a significant positive relationship between the internal audit function and corporate governance.

Several studies have found a positive relationship between the effectiveness of the internal audit function and financial performance. For instance, Chen et al. (2015) discovered that firms with strong internal audit functions exhibit superior financial performance compared to those with weak internal audit controls. Similarly, Chen et al. (2018) found that effective internal audit practices are positively associated with higher profitability and return on assets. The internal audit function significantly contributes to proactive risk management within organizations. Research suggests that organizations with well-developed internal audit functions are better able to identify and manage risks effectively. For instance, Hammersley (2016) concluded that a robust internal audit function leads to improved risk identification and mitigation strategies, reducing the likelihood of financial fraud and operational disruptions.

The internal audit function plays a crucial role in ensuring compliance with regulations and internal policies. Research has consistently shown that strong internal audit practices positively impact compliance levels. For example, Wang et al. (2019) emphasized the role of internal audit in enhancing compliance with accounting standards, resulting in improved financial reporting quality and reduced exposure to regulatory penalties. Effective corporate governance relies on a robust internal audit function. Researchers have established that a strong internal audit function positively influences corporate governance practices. A study by Gopalakrishnan et al. (2019) found that firms with strong internal audit practices exhibit better corporate governance mechanisms and higher levels of transparency and accountability.

Research by Chan et al. (2017) suggests that an effective internal audit function enhances risk identification, evaluation, and monitoring. This leads to the adoption of proactive risk mitigation strategies and improves organizational performance. Additionally, research by Knechel et al. (2018) indicates that the internal audit function significantly reduces the likelihood of material misstatements, consequently reducing the organization's exposure to financial and operational risks. The internal audit function can also have an impact on organizational culture, particularly in relation to ethical behavior and control consciousness. Research has shown that firms with strong internal audit departments tend to have a more ethical work environment and a stronger control culture (Deloitte, 2018). This underscores the crucial role of internal audit in shaping an organization's values and promoting ethical conduct.

A comprehensive study by Carcello et al. (2018) reveals that organizations with a strong internal audit function have more effective control procedures, leading to reduced instances of fraud, errors, and inefficiencies. Furthermore, research by Beasley et al. (2019) indicates that organizations with a mature internal audit function experience better compliance with regulations, ultimately translating into improved operational performance. The internal audit function contributes to corporate governance by independently assessing the effectiveness and efficiency of control mechanisms and providing recommendations for improvement. Research by DeZoort et al. (2016) reveals a positive relationship between the presence of an internal audit function and higher levels of corporate governance. Organizations with a strong internal audit function tend to have better board monitoring, increased transparency, and improved accountability.

Research by Janvrin et al. (2017) emphasizes the importance of aligning the internal audit function with the organizational strategy and risk appetite for optimal performance outcomes. Additionally, the study by Lin et al. (2018) suggests that organizations that actively involve the internal audit function in decision-making processes can effectively identify emerging risks, develop appropriate control mechanisms, and maximize organizational performance. Internal audit serves as a key component of an organization's risk management framework. Research by Chan et al. (2017) suggests that an effective internal audit function enhances risk identification, evaluation, and monitoring. This leads to the adoption of proactive risk mitigation strategies and improves organizational performance.

Additionally, research by Knechel et al. (2018) indicates that the internal audit function significantly reduces the likelihood of material misstatements, consequently reducing the organization's exposure to financial and operational risks. Internal audit plays a crucial role in improving an organization's control systems. A comprehensive study by Carcello et al. (2018) reveals that organizations with a strong internal audit function have more effective control procedures, leading to reduced instances of fraud, errors, and inefficiencies. Furthermore, research by Beasley et al. (2019) indicates that organizations with a mature internal audit function experience better compliance with regulations, ultimately translating into improved operational performance.

Effective corporate governance is associated with better organizational performance. The internal audit function contributes to corporate governance by independently assessing the effectiveness and efficiency of control mechanisms and providing recommendations for improvement. Research by DeZoort et al. (2016) reveals a positive relationship between the presence of an internal audit function and higher levels of corporate governance. Organizations with a strong internal audit function tend to have better board monitoring, increased transparency, and improved accountability. The integration of the internal audit function with other organizational processes is crucial in leveraging its impact on performance. Research by Janvrin et al. (2017) emphasizes the importance of aligning the internal audit function with the organizational strategy and risk appetite for optimal performance outcomes. Additionally, the study by Lin et al. (2018) suggests that organizations that actively involve the internal audit function in decision-making processes can effectively identify emerging risks, develop appropriate control mechanisms, and maximize organizational performance.

The internal audit function plays a vital role in enhancing organizational performance by providing independent evaluations of an organization's internal control systems, risk management processes, and corporate governance mechanisms. This review aims to examine the impact of the internal audit function on organizational performance through a detailed analysis of empirical studies conducted in the field. The findings will contribute to understanding the significance of the internal audit function in achieving organizational excellence.

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

A research design according to Andrew B kirumbi (2018) is the set of methods and procedures used in collecting and analyzing measures of the variables specified in the research problem research. Saunders, et al. (2012) defined research design as a general plan to answer a research question. As a systematic approach to conducting a scientific inquiry, it brings together several components, strategies, and methods to collect data and analyze it. The researcher used case study research design is a research approach was used to generate an in-depth, multi-faceted understanding of a complex issue in its real-life context. It may be because it allows the researcher to explore the key characteristics, meanings, and implications of the case. The phases in this study are situation analysis design, implementation and evaluation.

3.2 Study population

According to Hensen, M.C. (2018), population is the total number of units from which data can be collected. Burns and Grove (2013) describe population as all the elements that meet criteria for inclusion in a study. The study involved a study population of 40 to represent the entire population of Finance trust bank Mbale branch of different departments whom comprise of 1 general manager, 3 cashiers, 2 accountants, 10 loans officers, 1 human resource manager, 21 sales offices, and 2 auditors, all were respondents from Finance trust bank Mbale branch.

3.3 Sample size and Sampling procedures

Sample size

Eisenhardt, K.M. (2019) articulated a sample size as a proportion of a population. The sample was selected from the Finance trust bank Mbale branch which included stake holders, accountants, secretaries, human resource manager, auditors, and general manager.

Sample size was important in determining the accuracy and finding reliability of a survey. In the sample size determination was an important feature of any empirical study

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

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

Where;

n is the sample size

N is the whole population

1 is the constant

e² error in sampling (0.05)

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

n = 36 Respondents

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

Respondents	Population	Sample size	Sampling procedures
General manager	1	1	Purposive sampling
Cashiers	3	2	Simple random sampling
Accountants	2	2	Simple random sampling
Loans officers	10	10	Simple random sampling
Sales officers	21	19	Simple random sampling
Human resource manager	1	1	purposive sampling
Auditors	2	1	Purposive sampling
Total	40	36	

Source: Finance trust bank Mbale branch (2024)

3.4 Sampling procedures

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

3.4.1 Purposive sampling

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

3.4.2 Simple random sampling

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

3.5 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.

3.5.1 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. However, primary data was got by using questionnaires that were distributed to the respondent.

3.5.2 Secondary data collection

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

Lowe, D.M. (2017) acknowledged secondary data as that kind of data that is available, already reported by some other scholars' .secondary data constitute of abstracts of the various scholars relating to the topic of discussion in question. Secondary data for this study is got from sources like libraries, archived records from the Finance trust bank Mbale branch, 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.

3.6 Data collection instruments

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

3.6.1 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. Close ended questionnaire was used to collect information from the general manager, accountants, auditors, and cashier from Finance trust 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 engage in the depth views about the study questions. The closed ended questions include alternative answers for selection and also were used in getting required information about the study.

3.6.2 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.

3.7 Quality Control Methods.

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

3.7.1 Validity

Validity refers to how well an instrument measures what it is intended to measure (Mallery, 2013). 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 (2013).

The tools may be valid if the CVI of 0.5 or above is attained as illustrated in Table below.

Interpretation	Mean Range
Not Acceptable	Below 0.50
Acceptable	0.50 to 0.699
Good	0.70 to 0.799
Great	0.80 to 0.899
Superb	Above 0.90

Source: Researcher (2024)

$$CVI = 30/34 = \mathbf{0.882}$$

The Content Validity Index could be found to be 0.882 for all the items on the questionnaire and interview guide combined. Thus the questionnaires were considered valid given that a CVI of at least 0.8 is considered greatly in measuring validity.

3.7.2 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 (2014) using SPSS software if the reliability test is closer to one.

The researcher will use Cronbach Alpha Coefficient.

Variable	Cronbach alpha Value
Risk management	.821
Stakeholder engagement	.769
Internal audit function	.808
Organizational performance	.889

Source: Primary data (2024)

According to Cronbach (1950), coefficient alpha of 0.7 assuming above is considered, they look adequate. From the results all the Cronbach alpha coefficients could range from .769 to .889, therefore meeting the acceptable standards. Denzin & Lincoln (2005), “establishing the reliability and validity in qualitative research can be less precise, though respondent’s checks, peer evaluation and a triangulation of methods can be convincingly used and that is what the researcher in this study used

3.8 Data Analysis.

Data Processing and Analysis

Analysis of Quantitative Data

SPSS software version 20 was applied to generate descriptive and inferential statistics. The frequency and percentage distribution were employed to decide the demographic features participants. While mean and SD was used for different points of agreements in relation to the questions are asked on the Likert scale. Corporate governance and organizational performance in commercial banks was evaluated using a simple regression analysis. The stated variables in the questionnaires were analyzed using descriptive statistics of reactions that can be categorized. Where strongly agree=1, Agree=2, Neutral=3, Disagree=4, Strongly disagree=5

Analysis of Qualitative Data

The inductive method was helpful as it helped to regularly replicate reported patterns that were used in qualitative data analysis. The assumptions of inductive method are data analysis is established through research objectives and multiple readings and interpretation of raw data. Therefore, results were got from both the research objectives outlined by the researcher and results arising from analysis of raw data (Thomas, 2003).

According to Robinson (2014) data analysis is the process of systematically applying statistical and logical techniques to describe and illustrate, condense and recap, and evaluate data. Resnik (2018) various analytic procedures provide a way of drawing inductive inferences from data and distinguishing the signal from the noise 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.

3.9 Procedure of Data Collection

After writing the research report to the satisfaction of the supervisor, an introductory letter for seeking permission to proceed for data collection was obtained from Uganda Christian University (UCU), and this was used to make respondents believe in the researcher. This letter was taken to the general manager of the bank to seek for permission before engaging the population for the study.

3.10 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 treated 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 is provided to the researcher and their participation could not affect 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 corporate governance and organizational performance in commercial banks. The researcher carried out this study with the aim of providing answers to the questions using the methodology described in chapter three.

4.1 Findings on the general information about respondents.

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

4.1.0 Response rate.

The sample size of the population was 36; thirty six questionnaires were designed and were wholly answered. This implies that the response rate was outstanding.

4.2.1 Gender of Respondents

Table 2 showing the Gender of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Male	22	61.0	61.0	61.0
Valid Females	14	39.0	39.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

With reference to table 2 above, it can be seen that male consisted of 61%, and 39% were females. This implies that there were more males were involved in the study since they were the majority taking up various positions at finance trust bank Mbale branch.

4.2.2 Age

Table 3 showing Age group of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
21-30 years	12	33.0	33.0	33.0
31-40 years	15	42.0	42.0	75.0
Valid 41-50 years	8	22.0	22.0	97.0
Above 60 years	1	3.0	3.0	100.0
Total	36	100.0	100.0	

Source: Primary data (2024)

The table 4 above shows that 33% lie between the ages of 20-30 years, 42% make it to the age of 31-40 years, 22% lie between the age of 41-50 years, and above the age of 60 years constituted 3%. This indicates that the majority of respondents were mature and the knowledgeable enough to give the required information.

4.2.3 Qualification of respondents

Table 4 Showing academic qualification of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Secondary	8	22.0	22.0	22.0
Certificate	5	14.0	14.0	36.0
Diploma	7	19.0	19.0	55.0
Valid Degree	14	39.0	39.0	94.0
Masters	2	6.0	6.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

Table 4 above shows that 22%, 14%, 19% ,39% and 6% correspond to secondary, certificate, diploma, degree, and masters respectively. This indicates that all people employed by finance trust bank Mbale branch have attained certain level of education and knowledge with the majority corresponding to degree at 39%

4.2.4 Years of working

Table 5 showing years of working by respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Less than 1 year	9	25.0	25.0	25.0
1-2 years	11	31.0	31.0	56.0
Above 3 years	16	44.0	44.0	100.0
Total	36	100.0	100.0	

Source: Primary data (2024)

Table 5 above intimates that 25%, 31%, and 44%, correspond to less than 1 year, 1-2 years, and above 3 years respectively, this however implies that finance trust bank Mbale branch employs experienced workers who have had reasonable numbers of years of experience with 44% such that the goals formulated by the entity can be achieved well.

4.3.0 Research question one: Finding out on effect of risk management on organizational performance of finance trust bank Mbale branch

4.3.1 Risk management plays a vital role in enhancing operational performance.

The table 6 Showing whether risk management plays a vital role in enhancing operational performance

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	16	44.0	44.0	44.0
Agree	8	22.0	22.0	66.0
not sure	6	17.0	17.0	83.0
Disagree	4	11.0	11.0	94.0
strongly disagree	2	6.0	6.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

Table 6 above indicates that out of total sample of the study, 66% (44%, 22%) were positive to the statement that risk management plays a vital role in enhancing operational performance and 17% of the respondents were not sure while 17% (11%, 6%) of the respondents objected to the same statement hence implying that risk management plays a vital role in enhancing operational performance.

4.3.2 Effective risk management leads to cost reduction, and increased customer satisfaction.

The table 7 Showing whether effective risk management leads to cost reduction, and increased customer satisfaction

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	2	6.0	6.0	6.0
Agree	5	14.0	14.0	20.0
not sure	7	19.0	19.0	39.0
Disagree	9	25.0	25.0	64.0
strongly disagree	13	36.0	36.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

Table 7 above indicates that out of total sample of the study 20% (6%, 14%) were positive to the statement that effective risk management leads to cost reduction, and increased customer satisfaction, and 19% Of the respondents were not sure while 61% (25%, 36%) objected to the same statement hence implying that effective risk management does not lead to cost reduction, and increased customer satisfaction.

4.3. Risk management leads to improved operational control.

Table 8 Showing whether risk management leads to improved operational control

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	9	25.0	25.0	25.0
Agree	7	19.0	19.0	44.0
not sure	8	22.0	22.0	66.0
Disagree	9	25.0	25.0	91.0
strongly disagree	3	9.0	9.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

Table 8 above shows that 44% (25%, 19%) of the respondents had appositve response to the statement that risk management leads to improved operational control, 22% of the respondents were not sure whereas 34% (25%, 9%) rejected the same statement hence indicating that risk management leads to improved operational control.

4.3.4 Effective risk management practices can foster innovation within organizations.

The table 9 Showing whether effective risk management practices can foster innovation within organizations

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	15	42.0	42.0	42.0
Agree	3	8.0	8.0	50.0
not sure	6	17.0	17.0	67.0
Disagree	2	5.0	5.0	72.0
strongly disagree	10	28.0	28.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

Table 9 above shows that the majority of the respondents 50% (42%, 8%) were positive to the statement that effective risk management practices can foster innovation within organizations while 33% (5%, 28%) had negative responses to the same statement, 17% of the respondents were not sure. These findings are in-line with Appah E (2017) acknowledges that effective risk management practices can foster innovation within organizations.

4.3.5 Risk management also contributes to organizations' innovation capabilities and adaptability to dynamic environments.

The tables 10 Showing whether risk management also contributes to organizations' innovation capabilities and adaptability to dynamic environments

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	7	19.0	19.0	19.0
Agree	11	31.0	31.0	50.0
not sure	6	17.0	17.0	67.0
Disagree	9	25.0	25.0	92.0
strongly disagree	3	8.0	8.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

Table 10 above indicates that 50% (19%, 31%) of the respondents were positive to the statement that risk management also contributes to organizations' innovation capabilities and adaptability to dynamic environments; while 33% (25%, 8%) were negative to the same statement and 17% of the respondents were not sure. These findings concur with the research carried out by Bhatia HL (2019) stresses that risk management also contributes to organizations' innovation capabilities and adaptability to dynamic environments.

4.3.6 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 corporate governance and organizational performance in commercial banks. 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 have to be satisfied. In this analysis, variance risk management (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.

4.3.7 Regression analysis for the effect of risk management on organizational performance of finance trust bank Mbale branch.

In order to address the first objective of the study, a regressive analysis was done to analyze the effect of risk management on organizational performance of finance trust bank Mbale branch.

The results from analysis are presented in the model summary and coefficients tables below.

Table 8 showing regression model summary and coefficients for risk management on organizational performance of finance trust bank Mbale branch

Model Summary

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

a. Predictors: (Constant), risk management

Coefficients^a

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

a. Dependent Variable: Organizational performance

Source: Primary data (2024)

From the table 8 showing the model summary statistics above, a p-value = 0.007 that is less than 5% level of significance indicates that risk management positively (Beta=0.153) predicts organizational performance and effect is significant at p-value < 0.05. An adjusted R² of 0.096 implies that risk management explains and predicts significantly 9.6% variations in organizational performance of finance trust bank Mbale branch and the remaining 90.4% is explained by other factors. Basing on such findings, the researcher therefore concludes that risk management significantly and positively affects organizational performance of finance trust bank Mbale branch.

4.4. Research question two: Finding out the effect of stakeholder engagement on organizational performance of finance trust bank Mbale branch.

4.4.1 Engaging stakeholders in decision-making processes can enhance innovation and creativity within organizations.

Table 11 Showing whether engaging stakeholders in decision-making processes can enhance innovation and creativity within organizations

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	5	14.0	14.0	14.0
Agree	10	28.0	28.0	42.0
not sure	8	22.0	22.0	64.0
Disagree	9	25.0	25.0	89.0
strongly disagree	4	11.0	11.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

With reference to table 11 above, it can be seen that the majority of the respondents 42% (14%, 28%) were positive to the statement that engaging stakeholders in decision-making processes can enhance innovation and creativity within organizations while 36% (25%, 11%) of the respondents were negative to the same statement while 22% were not sure. This implies that engaging stakeholders in decision-making processes can enhance innovation and creativity within organizations.

4.4.2 Stakeholder engagement plays a crucial role in building trust and reputation for organizations.

Table 12 showing whether stakeholder engagement plays a crucial role in building trust and reputation for organizations

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	7	19.0	19.0	19.0
Agree	4	11.0	11.0	30.0
not sure	11	31.0	31.0	61.0
Disagree	6	17.0	17.0	78.0
strongly disagree	8	22.0	22.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

With reference to table 12, it can be observed that 30% (19%, 11%) of the respondents were positive to the statement that stakeholder engagement plays a crucial role in building trust and reputation for organizations, 39% (17%, 22%) were negative to the same statement while 31% of the respondents were not sure. These findings are in line with Kendrick MS (2015) intimated that stakeholder engagement plays a crucial role in building trust and reputation for organizations hence implying that stakeholder engagement do not play a crucial role in building trust and reputation for organizations.

4.4.3 Effective stakeholder engagement can help organizations mitigate risk and enhance resilience.

Table 13 showing whether effective stakeholder engagement can help organizations mitigate risk and enhance resilience

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	16	44.0	44.0	44.0
Agree	4	11.0	11.0	55.0
not sure	7	19.0	19.0	74.0
Disagree	6	18.0	18.0	92.0
strongly disagree	3	8.0	8.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

Table 13 above indicates that the majority of the respondents 55% (44%, 11%) were positive to the statement that effective stakeholder engagement can help organizations mitigate risk and enhance resilience while 26% (18%, 8%) were negative to the same statement, 19% were not sure. This implies that effective stakeholder engagement can help organizations mitigate risk and enhance resilience.

4.4.4 Stakeholder engagement also facilitates timely feedback and communication.

Table 14 showing whether stakeholder engagement also facilitates timely feedback and communication

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	5	14.0	14.0	14.0
Agree	15	42.0	42.0	56.0
not sure	2	6.0	6.0	62.0
Disagree	4	11.0	11.0	73.0
strongly disagree	10	27.0	27.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

With reference to table 14 above, it can be seen that 56% (14%, 42%) of the respondents were negative to the statement that stakeholder engagement also facilitates timely feedback and communication, 38% (11%, 27%) were negative to the same statement meanwhile 6% of the respondents were not sure. This implies that stakeholder engagement also facilitates timely feedback and communication.

4.4.5 Effective stakeholder engagement fosters trust and cooperation among stakeholders.

Table 15 Showing whether effective stakeholder engagement fosters trust and cooperation among stakeholders

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	9	25.0	25.0	25.0
Agree	6	17.0	17.0	42.0
not sure	3	8.0	8.0	50.0
Disagree	14	39.0	39.0	89.0
strongly disagree	4	11.0	11.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

Table 15 above shows that 42% of the respondents (25%, 17%) were positive to the statement that effective stakeholder engagement fosters trust and cooperation among stakeholders and 50% (39%, 11%) were negative to the same statement while 8% of the respondents were not sure. These finding contradict with Mckerchar M, Evans H (2018) acknowledges that effective stakeholder engagement fosters trust and cooperation among stakeholders and hence this implies that effective stakeholder engagement fosters trust and cooperation among stakeholders.

4.4.6 Regression Analysis for the effect of stakeholder engagement on organizational performance of finance trust bank Mbale branch.

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

Table 10 Regression model summary and coefficients for the effect of stakeholder engagement on organizational performance of finance trust bank Mbale branch.

Model summary

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

a. Predictors: (Constant), Stakeholder engagement

Coefficients^a

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

a. Dependent Variable: organizational 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 stakeholder engagement positively (Beta=0.224) predicts organizational performance and effect is significant at p-value < 0.05. An adjusted R² of 0.077 implies that stakeholder engagement explains and predicts significantly 7.7% variations in organizational performance and the remaining 92.3% explained by other factors. Basing on such findings, the researcher therefore concludes that stakeholder engagement significantly and negatively affects performance of finance trust bank Mbale branch.

4.5 Research question three: Finding out the effect of internal audit function on organizational performance of finance trust bank Mbale branch.

4.5.1 The internal audit function contributes to enhancing operational efficiency

Table 16 Showing whether the internal audit function contributes to enhancing operational efficiency

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	4	11.0	11.0	11.0
Agree	6	17.0	17.0	28.0
not sure	7	19.0	19.0	47.0
Disagree	9	25.0	25.0	72.0
strongly disagree	10	28.0	28.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

With reference to table 16 above, it can be seen that the minority of the respondents 28% (11%, 17%) were positive to the statement that the internal audit function contributes to enhancing operational efficiency while 53% (25%, 28%) were negative to the same statement and 19% of the respondents were not sure there by implying that the internal audit function contributes to enhancing operational efficiency.

4.5.2 Effective internal audit functions help organizations mitigate risks, enhance compliance, and safeguard assets.

Table 17 showing whether effective internal audit functions help organizations mitigate risks, enhance compliance, and safeguard assets

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly agree	5	14.0	14.0	14.0
Agree	17	47.0	47.0	61.0
Not sure	2	6.0	6.0	67.0
Disagree	5	14.0	14.0	81.0
Strongly disagree	7	19.0	19.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

With reference to table 17 above, it can be observed that the majority of the respondents 61% (14%, 47%) were positive to the statement that effective internal audit functions help organizations mitigate risks, enhance compliance, and safeguard assets, 33% (14%, 19%) were negative to the same statement while 6% were not sure. This implies that effective internal audit functions help organizations mitigate risks, enhance compliance, and safeguard assets.

4.5.3 The internal audit function plays a crucial role in enhancing organizational performance through monitoring.

Table 18 Showing whether the internal audit function plays a crucial role in enhancing organizational performance through monitoring

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	5	14.0	14.0	14.0
Agree	12	33.0	33.0	47.0
not sure	6	17.0	17.0	64.0
Disagree	9	25.0	25.0	89.0
strongly disagree	4	11.0	11.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

Table 18 above shows that 47% (14%, 33%) of the respondents were positive to the statement that the internal audit function plays a crucial role in enhancing organizational performance through monitoring while 36% (25.5%, 11%) were negative to the same statement and 17% of the respondents were not sure, these findings contradict with Berhan, B., & Jenkins, G. (2015), acknowledged that the internal audit function plays a crucial role in enhancing organizational performance through monitoring.

4.5.4 Internal audit function helps to identify control weaknesses

Table 19 showing whether internal audit function helps to identify control weaknesses

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	8	22.0	22.0	22.0
Agree	13	37.0	37.0	59.0
not sure	4	11.0	11.0	70.0
Disagree	8	22.0	22.0	92.0
strongly disagree	3	8.0	8.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

Table 19 above indicates that the majority of the respondents 59% (22%, 237%) were positive to the statement that internal audit function helps to identify control weaknesses, 32.5% (22%, 8%) had a negative response to the same statement while 11% of the respondents were not sure. This implies that internal audit function helps to identify control weaknesses.

4.5.5 Internal audit provides important assurance to stakeholders, including management, the board of directors, and external parties such as investors and creditors.

Table 20 Showing whether internal audit provides important assurance to stakeholders, including management, the board of directors, and external parties such as investors and creditors

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	13	36.0	36.0	36.0
Agree	9	25.0	25.0	61.0
not sure	2	6.0	6.0	67.0
Disagree	5	14.0	14.0	81.0
strongly disagree	7	19.0	19.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

Table 20 above shows that the majority of the respondents 61% (36%, 25%) were positive to the statement that internal audit provides important assurance to stakeholders, including management, the board of directors, and external parties such as investors and creditors while 33% (14%, 19%) had a negative response to the same statement and 6% of the respondents were not sure. However this concurs with the research carried out by Bird, and Jamtsher (2016) noted that internal audit provides important assurance to stakeholders, including management, the board of directors, and external parties such as investors and creditors there by implying that internal audit provides important assurance to stakeholders, including management, the board of directors, and external parties such as investors and creditors.

4.5.6 Regression Analysis for the effect of internal audit function on organizational performance of finance trust bank Mbale branch. **In order to analyze the effect of internal audit function on organizational performance of finance trust bank Mbale branch, the independent variable was conceptualized in terms of internal audit function and for the study to achieve its objectives; regression analysis to assess its effect on revenue collection was performed using SPSS. The results from analysis were presented in the model summary and coefficients tables below.**

Table 24 Showing regression model summary and Coefficients for the effect of internal audit function on organizational performance of finance trust bank Mbale branch.

Model Summary

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

a. Predictors: (Constant), internal audit function

Coefficients^a

Model		Un standardized		Standardized	Sig.
		B	Std. Error	Beta	
1	(Constant)	3.356	.374		.000
	internal audit function	.091	.100	.114	.169

a. Dependent Variable: organizational performance

Source: primary data, (2024)

From the table 24 showing the model summary statistics above, a p-value = 0.169 that is more than 5% level of significance indicates that internal audit function (Beta=0.091) predicts and affects their organizational performance. However, its effect is insignificant at p-value > 0.05. An adjusted R² of 0.021 implies that internal audit function explain 2.1% variations in organizational performance of finance trust bank Mbale branch.

CHAPTER FIVE

SUMMARY OF THE FINDINGS, 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 management on organizational performance of finance trust bank Mbale branch

The study investigated into the effect of risk management on organizational performance of finance trust bank Mbale branch. Results showed that most respondents were positive to the statements that they were asked. For example; majority of respondents constituting 66% were positive to the statement that risk management plays a vital role in enhancing operational performance; 44% were positive to the statement that risk management leads to improved operational control, 50% of the respondents had appositve response to the statement that effective risk management practices can foster innovation within organizations.

On the other hand, 61% constituting the majority were negative to statement that effective risk management leads to cost reduction, and increased customer satisfaction.

Results according to inferential statistics showed that risk management has a significant effect on organizational performance of finance trust bank Mbale branch.

5.1.2 Research Question two: Findings on the effect of stakeholder engagement on organizational performance of finance trust bank Mbale branch

The study investigated into the effect of stakeholder engagement on organizational performance of finance trust bank Mbale branch. Majority of the respondents 42% of the respondents were positive to the statement that engaging stakeholders in decision-making processes can enhance innovation and creativity within organizations, 55% of the respondents were positive to the statement that effective stakeholder engagement can help organizations mitigate risk and enhance resilience, it can be observed that 56% were positive to the statement that stakeholder engagement also facilitates timely feedback and communication while 42% forming the majority were negative to the statement that effective stakeholder engagement fosters trust and cooperation among stakeholders, and also 39% of the respondents also objected to the statement that stakeholder engagement plays a crucial role in building trust and reputation for organizations. Results according to illative statistics showed that stakeholder engagement affects organizational performance of finance trust bank Mbale.

5.1.3 Research Question three: Findings on the effect of internal audit function on organizational performance of finance trust bank Mbale branch

The findings revealed that 61% forming the majority were positive to the statement that effective internal audit functions help organizations mitigate risks, enhance compliance, and safeguard assets, 47% were positive to the statement that the internal audit function plays a crucial role in enhancing organizational performance through monitoring, 59% had a positive response to the statement that internal audit function helps to identify control weaknesses, and 61% had a positive response to the statement that internal audit provides important assurance to stakeholders, including management, the board of directors, and external parties such as investors and creditors.

On the other hand, 53% forming the majority rejected the statement that the internal audit function contributes to enhancing operational efficiency.

Results according to probable statistics showed that internal audit function has a significant effect on organizational performance of finance trust bank Mbale branch.

5.2 Conclusion

Basing on the first research objective which was to assess the effect of risk management on organizational performance of finance trust bank Mbale branch, it can be concluded that tax risk management has a significant effect on organizational performance of finance trust bank Mbale branch and this can be enhanced by implementing a structured approach to identify, assess, manage, and monitor risks. This includes risk assessment tools, risk registers, and regular risk reviews. Involve stakeholders at all levels in the risk management process to ensure a broad perspective on potential risks and their impacts. Foster a risk-aware culture where employees are encouraged to identify and report risks without fear of retribution. Training and awareness programs can support this. Integrate risk management into all business processes, including strategic planning, project management, and operational activities.

Basing on the second research question which was to determine the effect of stakeholder engagement on organizational performance of finance trust bank Mbale branch, it can be concluded that stakeholder engagement affects organizational performance of finance trust bank Mbale branch, and then tax enforcement affects revenue collection of industrial division which is can be enhanced by creating a strategic plan that outlines goals, objectives, and key performance indicators for engaging stakeholders. This plan should identify who the stakeholders are, their needs and interests, and how to effectively communicate and collaborate with them. Engage stakeholders through various communication channels such as meetings, workshops, surveys, social media, newsletters, and website updates. This ensures that stakeholders have multiple opportunities to provide input and stay informed about project developments.

Basing on the third research objective, it can be concluded that internal audit function has a significant effect on organizational performance of finance trust bank Mbale branch and is enhanced by creating a comprehensive internal audit strategy that aligns with the organization's goals and objectives. This strategy should outline the scope, objectives, and methodologies of the internal audit function. Implement a risk-based approach to internal auditing. This involves identifying and assessing the organization's key risks and conducting audits that focus on high-risk areas. This ensures that the internal audit function provides value by addressing the most critical risks to the organization.

5.3 Recommendations

The bank should implement a structured approach to identify, assess, manage, and monitor risks. This includes risk assessment tools, risk registers, and regular risk reviews. Involve stakeholders at all levels in the risk management process to ensure a broad perspective on potential risks and their impacts. Foster a risk-aware culture where employees are encouraged to identify and report risks without fear of retribution. Training and awareness programs can support this. Integrate risk management into all business processes, including strategic planning, project management, and operational activities. Utilize advanced technologies and tools, such as risk management software, to streamline and enhance the risk management process.

There is need for the management to create a strategic plan that outlines goals, objectives, and key performance indicators for engaging stakeholders. This plan should identify who the stakeholders are, their needs and interests, and how to effectively communicate and collaborate with them. Engage stakeholders through various communication channels such as meetings, workshops, surveys, social media, newsletters, and website updates. This ensures that stakeholders have multiple opportunities to provide input and stay informed about project developments. Engage stakeholders in decision-making processes by seeking their input and involving them in relevant discussions and workshops. This helps to ensure that their perspectives are considered and can lead to more effective decision-making.

There is need for the bank to create a comprehensive internal audit strategy that aligns with the organization's goals and objectives. This strategy should outline the scope, objectives, and methodologies of the internal audit function. Implement a risk-based approach to internal auditing. This involves identifying and assessing the organization's key risks and conducting audits that focus on high-risk areas. This ensures that the internal audit function provides value by addressing the most critical risks to the organization. Embrace technology and data analytics tools in the internal audit process. This can help streamline audit processes, enhance data analysis capabilities, and improve the efficiency and effectiveness of audits. Data analytics can also help identify patterns, trends, and anomalies that may require further investigation.

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APPENDICES
APPENDIX I: QUESTIONNAIRE

Dear respondent;

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

SECTION 1: DEMOGRAPHIC DATA

(Tick in the box provided)

1. Gender distribution of the respondent

a) Male b) Female

2. Age bracket of the respondent (years)

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

3. Academic qualification of respondent

a) Secondary b) Certificate c) Diploma d) Bachelors' e) Masters

4. Years of working by the respondents.

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

Section A: To assess the effect of risk management on organizational performance of finance trust bank Mbale branch

This section aims at assessing the effect of risk management on organizational performance of finance trust bank Mbale branch. 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	1	2	3	4	5
1	Risk management plays a vital role in enhancing operational performance					
2	Effective risk management leads to cost reduction, and increased customer satisfaction					
3	Risk management leads to improved operational control					
4	Effective risk management practices can foster innovation within organizations					
5	Risk management also contributes to organizations' innovation capabilities and adaptability to dynamic environments					

Section B: To determine the effect of stakeholder engagement on organizational performance of finance trust bank Mbale branch

This section aims at determining the effect of stakeholder engagement on organizational performance of finance trust bank Mbale branch. 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	1	2	3	4	5
1	Engaging stakeholders in decision-making processes can enhance innovation and creativity within organizations					
2	Stakeholder engagement plays a crucial role in building trust and reputation for organizations					

3	Effective stakeholder engagement can help organizations mitigate risk and enhance resilience					
4	Stakeholder engagement also facilitates timely feedback and communication					
5	Effective stakeholder engagement fosters trust and cooperation among stakeholders					

Section C: To analyze the effect of internal audit function on organizational performance of finance trust bank Mbale branch


This section aims at analyzing the effect of internal audit function on organizational performance of finance trust bank Mbale branch. 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	1	2	3	4	5
1	The internal audit function contributes to enhancing operational efficiency					
2	Effective internal audit functions help organizations mitigate risks, enhance compliance, and safeguard assets					
3	The internal audit function plays a crucial role in enhancing organizational performance through monitoring					
4	Internal audit function helps to identify control weaknesses					
5	Internal audit provides important assurance to stakeholders, including management, the board of directors, and external parties such as investors and creditors					

APPENDIX II: INTERVIEW GUIDE

1. How does your organization's risk management process help in identifying and mitigating potential threats to achieving strategic objectives?
2. Can you share a specific example where effective risk management directly contributed to improving organizational performance?
3. In your opinion, what role does a strong risk management culture play in fostering innovation and growth within the organization?
4. How does your organization measure the impact of risk management activities on key performance indicators and overall success?
5. What strategies does your organization employ to continuously enhance and optimize the risk management practices to boost organizational performance?
6. How does your organization prioritize stakeholder engagement to improve overall performance and long-term sustainability?
7. Can you provide an example of a successful stakeholder engagement initiative that significantly enhanced organizational performance or reputation?
8. How does your organization incorporate stakeholder feedback into decision-making processes to drive performance improvements?
9. What challenges have you encountered when managing stakeholder relationships and how have they influenced organizational performance?
10. How does your organization measure the effectiveness of stakeholder engagement strategies in enhancing performance outcomes and building trust?
11. How does the internal audit function contribute to enhancing operational efficiency and achieving organizational goals?
12. Can you discuss a specific instance where recommendations from internal audit led to performance improvements or cost savings within the organization?
13. In what ways does your organization leverage internal audit findings to strengthen internal controls and risk management processes for better performance outcomes?
14. How do you ensure independence and objectivity within the internal audit function to maintain credibility and add value to organizational performance?
15. How does your organization monitor and evaluate the performance and impact of the internal audit function on enhancing overall organizational performance?

APPENDIX III

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

BUSINESS DEPARTMENT

To Finance Trust Bank
Mbale Branch

Dear Sir/Madam,

Re: Academic Research


Christian greetings!


We are honored to introduce to you Mr. Mrs./Miss. BABIRYE AUDREY
Of Registration Number; W501/MUC/BEA/010 pursuing a Masters' Degree/Postgraduate Diploma / Bachelor's Degree
BACHELOR'S DEGREE IN BUSINESS MANAGEMENT


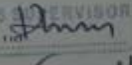
He/ she is required to carry out an academic research on the topic
Corporate Governance and organizational performance in Commercial banks

and thereafter produce a well bound hard cover research report (MAROON) in color for undergraduate and three (BLACK) copies for Postgraduate students as a University requirement for the award of a degree/diploma in the academic discipline that he / she is pursuing.

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


Henry Omache
Head of Business Department UCU-MUC


27 JAN 2024
BUSINESS
MBALE UNIVERSITY COLLEGE


FINANCE TRUST BANK
MBALE BRANCH
13 JUN 2024
BRANCH OPERATIONS SUPERVISOR

Grant Mwan

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