NANKEBE SYLVIA MARGARET (2008-M102-20090)

Effectiveness of Risk Management Practices on Financial Performance of Commercial Banks in Uganda

The study is on the effectiveness of risk management practices on financial performance of commercial banks in Uganda. The study's objectives included (1) establishing the extent to which credit risk management influenced financial performance of selected commercial banks in Uganda (2) examination of the relationship between market risk management and financial performance of selected commercial banks in Uganda (3) establishing the relationship between operational risk management and financial performance of selected commercial banks in Uganda. The study used a cross-sectional research design using quantitative approaches on a population of managers, supervisors and officers of selected commercial banks in Uganda selected using the stratified sampling method. The study used a questionnaire to collect primary data from respondents. The data were processed using the Statistical Package for the Social Sciences (SPSS) and quantitative data were analysed using graphs, mean, standard deviation, correlation and regression techniques. The study found that commercial banks used and emphasised adherence to credit, market and operation risk management practices. The credit, market and operation risk management practices had a positive significant relationship with financial performance and they were significant predictors of financial performance although operational risk management was the strongest predictor of financial performance while market risk management was the weakest predictor of financial performance. The study concluded that sustained financial performance among commercial banks was dependent on effective credit, market and operational risk management. The study recommended that the board of directors, management and staff should emphasise adherence to credit, market and operational risk management. Other studies need to investigate the influence of other variables such as competition within the industry, consumer confidence in the financial sector since they were thought to predict the variance of 57.4% of the financial performance.

Key words: Effectiveness, Risk, Management, Performance, Commercial, Bank