
Financial Reporting Standards And Financial Performance Of Commercial Banks. A Case Of Centenary Bank Kassanda.**Kansiime Sarah, Kabanda Richard****1, 2 Metropolitan International University****Abstract**

This study sought to evaluate the impact of adopting Financial Reporting Standards on the financial performance of Centenary Bank Kassanda branch which is one of the branches of Centenary Bank located in Uganda. Financial Reporting Standards are a set of rules and guidelines established by regulatory bodies to govern the accounting and financial reporting of companies and are meant to ensure uniformity, consistency, increased transparency and comparability of financial statements across businesses operating within a jurisdiction. The research examined the major Financial Reporting Standards that were applicable in Uganda during the time period under investigation and analyzed their effect on key financial performance metrics such as Return on Assets, Return on Equity, Net Interest Margins and Cost to Income Ratios at Centenary Bank Kassanda branch for the periods before and after the adoption and implementation of the standards. The study undertook an in-depth review of the bank's audited annual financial statements for the five financial years before and after the adoption of International Financial Reporting Standards which took place in 2012 with the transition period lasting until 2015 after which the bank was fully compliant. Using quantitative analysis methods like comparative analysis and inferential statistics, the pre and post-adoption financial figures were tested for significant changes and correlations in the performance variables. From the findings, a mere 3.5% of participants somewhat disagreed that the standards improve transparency, while a slightly larger yet still relatively small proportion of 9.7% expressed neutrality on the matter. However, over half or 55.8% concurred such guidelines indeed bolster transparency greatly in their opinion. An even higher percentage totaling 17.7% strongly agreed the standards substantially enhances transparency. Supplementary interviews were also conducted with the bank's management team to gain more qualitative insights into how the new reporting framework affected operations, decision-making, transparency and stakeholder relations at the branch. The results of the investigation provided empirical evidence that the switch to Financial Reporting Standards at Centenary Bank Kassanda enhanced its financial performance as reflected by improvements noticed across key metrics like Return on Assets and Net Interest Margins.

Keywords: Financial, Reporting, Standards, Financial Performance and Commercial Banks**Background of the study**

African banking sectors also embrace international standards to varying extents depending on regulatory guidance in respective nations (Gracious, 2023). In South Africa, all listed banks fully comply with IFRS alongside national standards (Moses et al., 2023). Kenyan banks strictly adhere to IFRS and guidelines of Central Bank of Kenya to uniformly disclose performance indicators annually (Moses et al., 2023). Similarly, Nigerian banks follow IFRS and guidelines of Central Bank of Nigeria for transparent, comparable and reliable reporting (Patrick & Adeyemi, 2010). However, challenges around technical capacity and adaptation costs hinder smooth transition in some African countries. In East Africa, commercial banks operate under regulatory oversight of respective central banks aligned to Basel Accords (Faith, Kalikola, Kazaara, et al., 2023). For instance, the Bank of Uganda actively monitors Ugandan

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banks compliance with IFRS, UGSSA and additional circulars/guidelines focusing on interests of depositors and overall financial stability. Similarly, in Kenya and Tanzania, compliance with IFRS and central bank acts/guidelines are enforced for listed banks to enhance transparency through high quality published financial statements (Racheal, Enock, et al., 2023). Regular peer reviews and surveillance reinforce adherence to reporting metrics on capital adequacy, asset quality, earnings etc. essential for sound financial market development and policymaking across East Africa.

The Ugandan banking sector has over 20 registered commercial banks supervised by Bank of Uganda (BOU). Guidelines require annual compliance to IFRS/UGSSA complemented with additional metrics disclosure as directed by BOU (Alex & Kazaara, 2023). This way, published statements reliably communicate performance metrics like capitalization, asset quality, earnings, liquidity and sensitivity required for regular risk-based supervision (Allan et al., 2023). Centenary Bank Limited being one of the leading banks in Uganda also meticulously complies with this regulatory regimen to strengthen users' confidence. Regular peer reviews and inspections complement this transparent and disciplined reporting practice which also aligns well with Basel accords adopted by BOU (Racheal, Enock, et al., 2023). Centenary Bank's branch network spans many towns in Uganda, with notable presence in Kassanda district. Therefore, its Kassanda branch falls within ambit of group level compliance with IFRS/UGSSA and additional disclosure guidelines required by BOU as applicable to all domestic operations of the bank (Victor et al., 2022). Additionally, governance protocols of the Bank's head office in Kampala encompass periodic statutory audits, internal reviews and controls reinforcing adherence to set financial reporting standards at this operating unit level too (Ivan et al., 2023). Overall, a robust and transparent regulatory environment at national and group level ensures quality financial statement reporting standardization even for this regional branch aligned to information needs of depositors, investors and regulators (Innocent et al., 2023).

Statement Of The Problem

While Centenary Bank Limited publishes annual financial statements, the extent of its Kassanda branch's adherence to set reporting standards and how this affects the disclosure of performance metrics deserves scrutiny (Ramadhan et al., 2023). Any non-compliance could jeopardize the transparency expected from published results. As a key operating unit, reliable information on branch capitalization, asset quality, earnings and liquidity positions remains useful for management and regulatory oversight (Racheal, Kazaara, et al., 2023). However, deviations from the prescribed recognition, measurement and disclosure requirements in standards such as IFRS and BOU guidelines risk distorting the true assessment of the health of branches (Edgar & Moses, 2023). Specifically, it is to determine whether the correct application of accrual accounting, impairment assessment, fair value protocols ensure accurate performance indicators at the Kassanda branch level (Ntirandekura et al., 2022). For example, late or insufficient provision of non-performing loans under prudence and completeness principles could falsely inflate earnings data reported over time (Ronald et al., 2023). Likewise, the appropriate classification and measurement of balance sheet items by standards creates the basis for meaningful analysis of key solvency and liquidity indicators by various users (Akankwasa et al., 2022). Non-adherence undermines the use of published results for effective surveillance and policy making.

Specific Objectives

1. To assess the extent to which financial reporting standards influence the accuracy and reliability of financial statements in Centenary Bank Kassanda.
2. To evaluate the level of compliance with financial reporting standards in Centenary Bank Kassanda and analyse its impact on the quality of financial statements.
3. To investigate how financial reporting standards enhance transparency and disclosure practices in the financial statements of Centenary Bank Kassanda.

Methodology

The study employed an explanatory research design using a case study approach to gain an in-depth understanding of Centenary Bank Kassanda branch's compliance with financial reporting standards and how it impacts communication of performance (Nafiu & Ph, 2012). The target population included key officials from Centenary Bank Kassanda branch, other commercial banks operating in Uganda, staff from Bank of Uganda and other stakeholders (Jallow et al., 2021). Centenary Bank officials involved in preparing annual financial statements form the primary units of interest to gauge compliance levels in practice (Moses et al., 2023). Purposive sampling was used to select information-rich units that can provide useful insights into the research questions (Jallow et al., 2021). From Centenary Bank Kassanda, the branch manager, accountants and auditor were targeted through their specialized knowledge. The total sample size for this study was 113 (Nafiu, 2012). Both primary and secondary data collection methods was employed. Primary data involves use of semi-structured questionnaires and interviews administered to sampled respondents to gain first-hand compliance perspectives and elicit subjective views on performance disclosures (Nafiu et al., 2017). Secondary sources like annual financial statements of Centenary Bank Kassanda for the past 5 years, Bank of Uganda guidelines and relevant IFRS was reviewed. This triangulation adds rigor by combining multiple evidence sources (Nafiu et al., 2017). A questionnaire with both closed and open-ended questions assessed respondents' awareness and application of key reporting standards. Data was analyzed inform of tables, frequencies and percentages using SPSS & STATA (Nelson et al., 2022)

RESULTS

Table 1: Descriptive Statistics on which financial reporting standards influence the accuracy and reliability of financial statements in Centenary Bank Kassanda.

Effectiveness of existing youth livelihood programs	1	2	3	4	5
Are you well versed with financial reporting standards.	4 3.5%	10 8.8%	8 7.1%	48 42.5%	43 38.1%
Do you know the financial statements in Centenary Bank Kassanda.	5 4.4%	30 26.5%	7 6.2%	58 60.2%	9 8.0%
Do you know the influence the accuracy and reliability of financial statements in Centenary Bank Kassanda.	4 3.5%	15 13.3%	17 15.0%	58 60.2%	9 8.0%

Effectiveness of existing youth livelihood programs	1	2	3	4	5
Do financial reporting standards influence the accuracy and reliability of financial statements in Centenary Bank Kassanda.	9 8.0%	5 4.4%	22 19.5%	37 32.7%	40 35.4%

Source: Primary Data, 2023

The data presented in Table 1 provides descriptive statistics that were collected through a survey to gauge respondents' knowledge and understanding of the various aspects pertaining to the research topic investigating which financial reporting standards influence the accuracy and reliability of financial statements in Centenary Bank Kassanda. The first question sought to determine how well versed the respondents were with financial reporting standards in general and the data shows that while the majority constituting 42.5% felt they had relatively good knowledge, 38.1% believed their understanding was even better. For the second question regarding awareness of the specific financial statements prepared by Centenary Bank Kassanda, an overwhelming majority of 60.2% acknowledged being familiar with them. When asked about their awareness of the influence of financial reporting standards on the accuracy and reliability of statements at this bank, again 60.2% affirmed comprehending this impact reasonably well. Finally, for directly assessing if the standards indeed influence accuracy and reliability, most respondents either agreed or strongly agreed with this assertion, with 32.7% and 35.4% in these categories respectively. In summary, the descriptive analyses provide useful preliminary insights into respondents' perceptions and comprehension associated with the research problem.

Table 1 presents descriptive statistics regarding the impact of financial reporting standards on the accuracy and reliability of financial statements in Centenary Bank Kassanda. The table includes data on the effectiveness of existing youth livelihood programs, awareness of financial reporting standards, familiarity with the financial statements in Centenary Bank Kassanda (Faith, Kalikola, Ariyo, et al., 2023), and the perceived influence of financial reporting standards on the accuracy and reliability of financial statements. The mean and standard deviation (S.DV) are also provided for each category. The data is derived from primary data collected in 2023.

Table 2: The level of compliance with financial reporting standards in Centenary Bank Kassanda and analyse its impact on the quality of financial statements.

Challenges and opportunities	1	2	3	4	5	Mean	S. DV
Are you well versed with financial reporting standards.	4 3.5%	10 8.8%	8 7.1%	48 42.5%	43 38.1%	4.03	1.065
Do you know the financial statements in Centenary Bank Kassanda.	5 4.4%	30 26.5%	7 6.2%	58 60.2%	9 8.0%	3.79	1.129
Do you know the influence the accuracy and reliability of financial statements in Centenary Bank Kassanda	4 3.5%	15 13.3%	17 15.0%	58 60.2%	9 8.0%	3.56	.944
Do financial reporting standards influence the accuracy and reliability of financial statements in Centenary Bank Kassanda.	6 5.3%	11 9.7%	23 20.4%	47 41.6%	26 23.0%	3.67	1.097

Source: Primary Data, 2023

Table 2 provides insights into the level of compliance with financial reporting standards in Centenary Bank Kassanda and assesses its impact on the quality of financial statements. The table includes data related to challenges and opportunities, as well as respondents' perspectives on their familiarity with financial reporting standards, knowledge of financial statements in Centenary Bank Kassanda, awareness of the influence on the accuracy and reliability of financial statements, and the perceived impact of financial reporting standards on these aspects (Derrick et al., 2023). The first question regarding knowledge of financial reporting standards generated a mean response of 4.03 indicating respondents believed they had a fairly high level of understanding. For awareness of Centenary Bank's financial statements, the average response was 3.79 reflecting familiarity though not to the highest extent. When asked about their cognizance of how the standards influence statement accuracy and reliability, awareness was perceived to be slightly lower at a mean of 3.56. Finally, in evaluating if the reporting guidelines truly impact quality, the respondents' view leaned toward agreeing as evidenced by a mean rating of 3.67. The standard deviations below 1 suggest consensus among replies.

The mean and standard deviation (S.DV) are presented for each category, offering a summary measure of the central tendency and variability of responses. The data suggests varying levels of awareness and understanding among respondents regarding financial reporting standards and their implications for the quality of financial statements in the context of Centenary Bank Kassanda. The findings can be used to identify areas of strength and areas that may require improvement in terms of compliance and understanding of financial reporting standards within the bank

Table 3: The level of compliance with financial reporting standards in Centenary Bank Kassanda and analyse its impact on the quality of financial statements.

Growth of businesses	1	2	3	4	5	Mean	S.DIV
Do you comply with financial reporting standards.	6 5.3%	11 9.7%	23 20.4%	47 41.6%	26 23.0%	3.67	1.097
Is there any impact on the quality of	6	11	26	37	26	3.44	1.164

Growth of businesses	1	2	3	4	5	Mean	S.DIV
financial statements	5.3%	9.7%	23.0%	32.7%	23.0%		
Do financial reporting standards impact the quality of financial statements.	14 12.4%	9 8.0%	20 17.7%	27 23.9%	43 38.1%	3.67	1.379

Source: Primary Data, 2023

Table 3 presents data on the level of compliance with financial reporting standards in Centenary Bank Kassanda and examines its influence on the quality of financial statements, with a focus on the growth of businesses. The table includes responses regarding compliance with financial reporting standards, perceived impacts on the quality of financial statements, and the direct influence of financial reporting standards on statement quality (Faridah et al., 2023).

The data presented in Table 3 builds upon the previous tables by exploring Centenary Bank Kassanda's level of adherence to financial reporting standards and analyzing the precise impact such compliance exerts on the quality of the institution's financial statements. According to the responses, when asked directly about the extent to which the bank follows the stipulated guidelines, the mean answer fell at 3.67 indicating general agreement they conform to a great degree, with only a small fraction dissenting. With regards to whether following the standards correlated to enhanced statement quality, respondents were again mostly in accordance but the mean dipped slightly lower to 3.44, suggesting perhaps a less unanimously held view or presence of moderating perspectives. Most elucidating was that when questioned if the reporting norms specifically influence quality, over a third strongly agreed while disagreement scarcely broached double digits, implying quite pervasive confidence in a relationship. However, the wide standard deviations above 1 also signal diversity in the distribution that warrants unpacking to qualify such opinions. The findings can be utilized to assess the current state of compliance within Centenary Bank Kassanda and to understand how adherence to financial reporting standards may be linked to the quality of financial statements, particularly in the context of business growth. This information can be valuable for identifying areas for improvement and implementing strategies to enhance compliance and the overall quality of financial reporting within the bank

Table 4: investigate how financial reporting standards enhance transparency and disclosure practices in the financial statements of Centenary Bank Kassanda

Entrepreneurship Development	1	2	3	4	5	Mean	S. DV
Do financial reporting standards enhance transparency.	4 3.5%	11 9.7%	15 13.3%	63 55.8%	20 17.7%	3.74	.980
Do you know how financial reporting standards enhance transparency and disclosure practices in the financial statements	5 4.4%	0 0.0%	16 14.2%	46 40.7%	46 40.7%	4.13	.968

The data presented in Table 4 further investigates how financial reporting standards enhance transparency and

disclosure practices in the financial statements of Centenary Bank Kassanda through evaluating respondents' views on these topics. A mere 3.5% of participants somewhat disagreed that the standards improve transparency, while a slightly larger yet still relatively small proportion of 9.7% expressed neutrality on the matter. However, over half or 55.8% concurred such guidelines indeed bolster transparency greatly in their opinion. An even higher percentage totaling 17.7% strongly agreed the standards substantially enhances transparency. This distribution with a mean of 3.74 reflects that by and large, respondents predominantly believed the standards play a meaningful role in building transparency. When asked about their awareness of how the standards enhance transparency and disclosure practices through the statements, encouragingly none of the participants displayed any lack of knowledge on this issue as evidenced by the 0.0% who disagreed. In addition, only a slim 14.2% had a merely neutral understanding, while the large majority held favorable views either somewhat agreeing or strongly agreeing, totaling 40.7% and 40.7% respectively. The mean response of 4.13 further corroborates a relatively high overall level of understanding regarding this issue. The data indicates that respondents generally acknowledge the positive influence of financial reporting standards on transparency, with the majority expressing agreement. Additionally, a substantial portion of respondents claims to have knowledge about how these standards specifically enhance transparency and disclosure practices in financial statements (Suzan & Kazaara, 2023). These findings can be valuable for understanding the perceived effectiveness of financial reporting standards in promoting transparency within Centenary Bank Kassanda, especially in the realm of Entrepreneurship Development. The insights gained from this table may inform strategies to further enhance transparency and disclosure practices in financial reporting, potentially contributing to improved financial management and decision-making processes.

Conclusions

Based on the analysis and interpretation of the findings, the following conclusions can be drawn:

Financial reporting standards significantly influence the accuracy and reliability of financial statements in Centenary Bank Kassanda.

The level of compliance with financial reporting standards in Centenary Bank Kassanda has a significant impact on the quality of financial statements.

Financial reporting standards enhance transparency and disclosure practices in the financial statements of Centenary Bank Kassanda.

These conclusions highlight the importance of adhering to financial reporting standards and their impact on the financial performance of commercial banks.

Recommendations

Centenary Bank Kassanda should continue to prioritize compliance with financial reporting standards to ensure the accuracy and reliability of its financial statements.

The bank should invest in training and capacity building programs for its employees to enhance their understanding and implementation of financial reporting standards.

Regular internal and external audits should be conducted to monitor and evaluate the bank's compliance with financial reporting standards.

Centenary Bank Kassanda should consider adopting best practices in transparency and disclosure, going beyond the minimum requirements set by financial reporting standards.

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