

The Role Of Risk Management On The Financial Performance Of Organizations: A Case Of Study**Centenary Bank Ibanda Municipality Western Uganda****Twinomugisha Patrick.****Abstract**

The study examined the role of risk management on the financial performance of organizations, using Centenary Bank in Ibanda Municipality, Western Uganda as a case study. The research objectives were to examine the relationship between capital adequacy, financial gap ratio, cash generation, and the financial performance of organizations in Ibanda Municipality. The study employed a cross-sectional descriptive research design that incorporated both quantitative and qualitative approaches. The study population comprised 258 organizations operating in the five divisions of Ibanda Municipality, with a sample size of 157 respondents derived using Sloven's formula. Both probability and non-probability sampling methods were used to select the respondents. The study found that capital adequacy had a positive and significant relationship with the financial performance of organizations in Ibanda Municipality. Furthermore, the financial gap ratio and cash generation also had positive and significant relationships with the financial performance of organizations in the region. The study concluded that effective risk management, including maintaining adequate capital, managing the financial gap, and generating sufficient cash, played a crucial role in enhancing the financial performance of organizations in Ibanda Municipality. The study recommended that organizations in Ibanda Municipality should prioritize risk management practices, particularly by maintaining adequate capital levels, managing their financial gap, and generating sufficient cash to improve their overall financial performance. Additionally, the study suggested that policymakers should develop and implement robust regulations and guidelines to ensure that organizations in the region effectively manage their risks to enhance financial stability and growth.

Key Words: Risk, Management, Financial and Performance**Background to study**

Historically, organizations have existed through efficient and effective financial performance with the goal of maximizing shareholder wealth through generating adequate profits to cover costs and future investment projects (Winny et al., 2023). To effectively and efficiently increase their financial performance, organizations around the world are now putting more emphasis on properly managing risk levels and positions. Organizations in the highly competitive financial sector seek to improve their financial performance through risk management (Akankwasa et al., 2022). In Africa, the effective and efficient financial performance of organizations is a fundamental measure of management because it is the result achieved by organizations in relation to its authority and responsibility, is not contrary to the law and is in accordance with morals and ethics (Deus, 2023). The high financial performance of organizations in Africa reflects the effectiveness of management and the efficiency of the use of the organization's resources (Ivan et al., 2023b). In Ghana, organizations are mandated to hold between 10% of savings deposits and 20% in liquid accounts, as well as reduce the proportion of risk that is idle to almost zero to meet the requirements of

the World Credit Union Council. risk management mechanism to enhance financial performance of organizations (J & M, 2019; Viola et al., 2023).

In Uganda, organizations remain the most important players in the provision of money-related services and have a wider reach than some other financial sectors (Edgar & Moses, 2023). There are 10,800 organizations in the country with the participation of 6 million members. Among the organizations available, Wazalendo was the first formal savings cooperative in Uganda in Wazaland in 1908 (David et al., 2023). In 1954 there were over 500 organizations in Central Province sponsoring over 170,000 members with a turnover of two hundred and eighty thousand shillings; the most successful was Makueni Settlement, which paid a dividend of 7% of members' savings (Derrick et al., 2023).

"Financial performance" refers to the extent to which the financial health of a financial institution or company is measured over a period of time (Polycarp et al., 2023). Financial performance is also a financial action used to generate higher sales, profitability and value of a business entity for its shareholders through the management of its current and fixed assets, financing, equity, revenues and costs (Racheal et al., 2023). Financial performance reflects the results and outcomes of the business sector that show the overall financial health of the sector over a period of time. It shows how well an entity uses its resources to maximize shareholder wealth and profitability (David et al., 2023). This study looked at the financial performance of organizations in terms of return on equity, return on assets, solvency, market growth, return on investment and profit margin, among others. Risk refers to a situation where a financial institution is unable to meet its obligations to depositors or finance asset increases when they become due without incurring unacceptable costs or losses (Deus, 2023). Risk occurs when depositors collectively decide to withdraw more funds than the bank has immediately on hand, or when borrowers default on their financial obligations to banks (Alex et al., 2023). The risk appears in two cases, primarily arising symmetrically for borrowers in relation to banks, for example when banks decide to cancel loans, but borrowers cannot afford to do so (Viola et al., 2023).

Problem statement

In recent times, financial disasters have been witnessed in both financial and non-financial organizations. This highlights the need for diverse and broad approaches in forms of risk management. Financial distress is not a new scene in the financial industry (Kazaara et al., 2023). Commercial banks and other financial institutions should meet regulatory requirements for risk measurement. Commercial bank managers need adequate and reliable risk measures to reduce the risk of capital remaining outside the established limits (Ivan et al., 2023a). Commercial bank managers therefore need mechanisms for monitoring and projecting positions and adequate credit incentives for the best risk management by business divisions and individuals. Poor risk management played a major role in the failure of commercial banks. The majority of non-performing loans resulted in banks failing to meet planned profitability targets. Empirical studies conducted in Kenya focused on credit risk management, financial risk management and commercial risk management practices. banks in Kenya (Alex et al., 2023). Thus, this study filled the existing research

and knowledge gap in methodology by answering the following research question whether there is a role of risk management on the financial performance of century bank in ibanda municipality.

Purpose of the study

The purpose of the study was to examine the role of risk management on the financial performance of organizations: a case study of centenary bank Ibanda Municipality Western Uganda.

Objectives of the study

The study was guided by three specific objectives as indicated below.

- i To examine the relationship between capital adequacy and financial performance of organizational in Ibanda Municipality.
- ii To establish the relationship between financial gap ratio and financial performance of organizational in Ibanda Municipality.
- iii To establish the relationship between cash generation and financial performance of organizational in Ibanda Municipality.

Research questions

- i. What is the relationship between capital adequacy and financial performance of organizational in Ibanda Municipality.
- ii. What is the relationship between financial gap ratio and financial performance of organizational in Ibanda Municipality?
- iii. What is the relationship between cash generation and financial performance of organizational in Ibanda Municipality?

Methodology.

The study employed a cross sectional descriptive research design which incorporated both quantitative and qualitative approaches. This design was chosen because the study is conducted at one point in time as well as it helps to present results using inferential statistics (Setia, 2016). This type of research design was used in order to save time and to investigate the study problem. The study population involves a total of all the individuals who have certain characteristics and are of interest to a researcher (Banerjee & Chaudhury, 2010). Uganda has over 1,292 organization which are operating throughout the country and Ibanda Municipality in particular has 258 organization which are operating in the five divisions (World Council of Credit Unions' annual Statistical Report, 2018). In this regard, the study targeted 258 organization which were operating in the 5 divisions of Ibanda Municipality (World Council of Credit Unions' annual Statistical Report, 2018). Within each organization, the study targeted individuals like

organization manager, credit officer, accountant, and customer care personnel and these were the units of inquiry for the study. For purposes of this study, the sample size was derived using Sloven's formula. According to Tejada and Punzalan (2012) the Sloven's formula is highly recommended when establishing a sample size for a finite population size. The Sloven's formula employed for determining the sample size for the study. This resulted into a sample size of 157 respondents. The study used both probability and non-probability sampling methods due to the complexity of the sampling units. The first step involved dividing Ibanda Municipality district into 5 clusters called divisions. The second stage involved randomly selecting a sample of 157 organizations from a population of 258 organizations in the divisions of centenary bank Ibanda Municipality. The study was guided by questionnaire survey method, interview method, and document review method. The validity of the instrument was considered in this study since it enabled the researcher to ascertain the extent to which research instruments measured what they are intended to measure (Oso & Onen, 2008). The reliability of the instruments was considered because it looks at the degree to which an instrument measures the same ways each time it is used under the same condition with the same subjects (Sekaran, 2013).

Qualitative data analysis involved both thematic and content analysis and was based on how the findings related to the research questions. Content analysis was used to edit qualitative data and reorganizes it into meaningful shorter sentences. Thematic analysis was used to organize data into themes and codes were identified (Sekaran, 2003). After data collection, information of same category was assembled together and their similarity with the quantitative data created. Qualitative data was interpreted by composing explanations or descriptions from the information.

Quantitative data from structured questionnaires was coded and entered in SPSS version 21 for statistical analysis. The quantitative analysis involved descriptive statistics and inferential analysis. Descriptive statistics/analysis entailed frequency tables and determination of measures of central tendency mainly means and standard deviations on the variable dimensions. Spearman's rank correlation was used to determine the relationship between the study variables in order to provide answers to the study hypotheses. Spearman's rank correlation was used where the variables don't meet the assumption of normality and when the nature of the targeted measurement variable is nominal or ordinal measurements. The researcher used a simple linear regression model to examine the effect of one variable on the other at the level of significance of 0.05.(Nelson et al., 2022, 2023)

Results.

Descriptive statistics on the level of capital adequacy of Organizations

The researcher presents the respondents' level of understanding of capital adequacy as a risk management measure of Organizations. The findings are presented in percentages, means, and standard deviations. The mean results above 3 show high understanding level of respondents on capital adequacy of Organizations while that less than or equal to 3 shows low understanding level of respondents on capital adequacy of Organizations.

Table 1: Findings on the descriptive statistics on the level of capital adequacy of Organizations

Statements	SD (%)	D (%)	NS (%)	A (%)	SA (%)	Mean	SD
There is enough capital available to support the continued operation of this organization		20.7	23.3	47.4	8.6	3.44	.921
The available enough capital in this organization protects depositors and other creditors against losses	0.9	7.8	15.5	57.8	18.1	3.84	.840
There are effective requirements or guidelines available for maintaining enough capital in this organization		2.6	11.2	51.7	34.5	4.18	.729
There is growth in capital compared with the assets of this organization		0.9	4.3	59.5	35.3	4.29	.590
The organization maintains a minimum sufficient capital with a purpose of meeting the demand of its customers			2.6	62.1	35.3	4.33	.524

Source: Primary data (2020)

The findings in table 1 show the level of capital adequacy of Organizations as perceived by respondents in the study. In terms of capital availability, the majority of respondents (47.4%) agreed that Organizations have enough capital available to support its continued operation ($\bar{X}$ =3.44, SD=.921). The implication is the borrowers are in position to access enough credit since

Organizations have enough capital available and this may fuel growth in financial performance as more borrowers have access to available credit. The bigger percentage (57.8%) of respondents were in agreement that the available enough capital in their Organizations protect depositors and other creditors against losses ($\bar{X}$ =3.84, SD=.840). This

shows that available enough capital by Organizations enables depositors to access their funds at any time and this may also help Organizations to escape losses.

The findings revealed that there are effective requirements/guidelines available for maintaining enough capital in Organizations as shown by high level agreement by the respondents in the study ($\bar{X}=4.18$, $SD=0.729$). The implication is that there are stringent measures in place in most of the Organizations to ensure that enough funds are available to meet the demand from the borrowers and could be justification for their improved financial performance. In comparison between growth in capital and assets of the Organizations, the majority of the respondents (59.5%) agreed that there is growth in capital compared with the assets of the Organizations ($\bar{X}=4.29$, $SD=0.590$). This implies that Organizations maintain enough funds available to meet the demands from their clients compared with investment into assets and this may fuel growth in financial performance.

In terms of maintaining minimum sufficient capital, the findings show that most of the respondents were in agreement (62.1%) that Organizations maintain a minimum sufficient capital with a purpose of meeting the demand of its customers ($\bar{X}=4.33$, $SD=0.524$). This means that most of the Organizations do not run out of funds to provide to their clients since a minimum proportion of capital is maintained as a must and this may fuel growth in financial performance of Organizations.

Descriptive statistics on the level of financial gap ratio of Organizations

The study presents the level of perception of respondents on financial gap ratio of Organizations as the second measure of risk management. The findings are presented in percentages, means, and standard deviations. The mean results above 3 show high understanding level of respondents on financial gap ratio of Organizations while that less than or equal to 3 shows low understanding level of respondents on financial gap ratio of Organizations.

Table 2: Descriptive statistics on the level of financial gap ratio of Organizations

Statements	SD (%)	D (%)	NS (%)	A (%)	SA (%)	Mean	SD
The interest rates charged on borrowed loans reduce on loan defaulting	0.9	7.8	12.1	49.1	30.2	4.00	0.904
There is a lower debt compared to the value of the assets of this organization		0.9	8.6	44.8	45.7	4.35	0.676

The liabilities of this organization are small and this has helped to improve on its financial performance			8.6	55.2	36.2	4.28	0.613
There is improved growth of assets of this organization which has greatly improved on its financial performance		2.6	7.8	50.9	38.8	4.26	0.712
The assets of this organization can easily be converted into cash if there is demand for cash from the creditors	1.7	0.9	8.6	45.7	43.1	4.28	0.798

Source: Primary data (2020)

Table 2 presents the descriptive statistics on the perceptions of respondents on financial gap ratio of Organizations. Concerning interest rates charged, most of the respondents (49.1%) agreed that interest rates charged by Organizations on borrowed loans reduce on loan defaulting by its members ($\bar{X}=4.00$, $SD=0.904$). The implication is that the interest rates charged by Organizations on borrowed loans are favorable and this could be the reason for reducing defaulters and enhancing financial performance.

The study revealed that most of the Organizations in the divisions of Kampala have lower debt compared to the value of their assets as shown by a high-level mean and small standard deviation ($\bar{X}=4.35$, $SD=0.676$). This shows that the debts of the Organizations are lower than the value of their assets and this could be the justification for the growth in financial performance of Organizations in

Kampala. In terms of liabilities, the majority of the respondents agreed that the liabilities of Organizations in the divisions of Kampala are very small and this may imply that there is high level financial performance ($\bar{X}=4.28$, $SD=0.613$).

In terms of asset growth, the highest proportion of respondents were in agreement that there is improved growth of assets of Organizations in the divisions of Kampala which has greatly improved on its financial performance ($\bar{X}=4.26$, $SD=0.712$). The bigger percentage of respondents (45.7%) agreed that the assets of the Organizations can easily be converted into cash if there is demand for cash from the creditors ($\bar{X}=4.28$, $SD=0.798$). The implication is that there are always available funds to meet the demand from organization members since the organization assets can be easily

converted into cash.

Descriptive statistics on the level of Cash generation of Organizations

The researcher sought to find out the perception level of respondents on Cash generation of

Organizations. The findings are presented in percentages, means, and standard deviations.

The mean results above 3 show high perception level of respondents on Cash generation of Organizations while the mean results less than or equal to 3 show low perception level of respondents on cash generation of Organizations.

Table 3: Descriptive statistics on the level of Cash generation of Organizations

Statements	SD (%)	D (%)	NS (%)	A (%)	SA (%)	Mean	SD
This Organization conducts regular cash budgeting to eliminate liquidity issues		5.2	4.3	52.6	37.9	4.23	0.762
The proper cash budgets of this organization has enhanced competitiveness	0.9	1.7	8.6	37.9	50.9	4.36	0.785
The growth in members' contributions has enhanced credit availability to be issued to the borrowers		0.9	3.4	44.8	50.9	4.46	0.610
There is effective cash planning in this organization		1.7	9.5	37.1	51.7	4.39	0.732
There is appropriate cash control in this organization has reduced on liabilities thus increasing on the financial performance			6.0	45.7	48.3	4.42	0.606

Source: Primary data (2020)

Table 3 highlights the descriptive statistics on the respondents' perception on cash generation of Organizations. In the first step, the study assessed whether Organizations conduct regular cash budgeting to eliminate liquidity issues. The majority of the respondents (52.6%) agreed that they conduct regular cash budgeting to eliminate liquidity issues as indicated by a high-level mean and small standard deviation ($\bar{X}=4.23$, $SD=0.762$). The study revealed that most of the study participants strongly supported that the proper cash budgets of the Organizations in the divisions of centenary bank Ibanda municipality have enhanced competitiveness ($\bar{X}=4.36$, $SD=0.785$). The implication is inconsistencies related to cash budgeting in the Organizations of Ibanda municipality are eliminated and this ensures that there is enough liquidity available to meet customer demands which could be the basis for improved financial performance.

Concerning the growth in members' contributions, the findings revealed that the highest proportion of respondents (50.9%) strongly agreed that the growth in members' contributions has enhanced credit availability to be issued to the borrowers ($\bar{X}=4.46$, $SD=0.610$). This shows that most of the Organizations in the divisions of centenary bank Ibanda Municipality have enough cash to give out to the borrowers since members save a lot which is an indication for improved financial performance. In terms of cash planning, most of the respondents strongly supported that there is effective cash planning in most of the Organizations ($\bar{X}=4.39$, $SD=0.732$). This implies that the available cash cannot just be invested in other assets without having estimated the credit demand from the organization members due to effective cash planning which could be the reason for improved financial performance of Organizations in the divisions of Ibanda Municipality.

In relation to cash control, the study found out that the appropriate cash control in most of the Organization has reduced on liabilities thus increasing on the financial performance since majority of the respondents were in strong agreement with the statement ($\bar{X}=4.42$, $SD=0.606$).

Descriptive statistics on the level of Credit policy of Organizations

The study sought to establish the respondents' views on Credit policy of Organizations. The results are presented using percentages, means, and standard deviations. The mean results above 3 show high perception level of respondents on credit policy of Organizations while the mean results less than or equal to 3 show low perception level of respondents on credit policy of Organizations.

Table 4: Descriptive statistics on the level of credit policy of Organizations

Statements	SD	D	NS	A	SA	Mean	SD
	(%)	(%)	(%)	(%)	(%)		

The credit policy of this organization ensures consistency in operation and adherence to uniform sound practices			8.6	57.8	33.6	4.25	0.603
Effective credit policy of this organization is a requirement for achieving high financial performance		1.7	6.9	39.7	51.7	4.41	0.699
Credit standards set by this organization are based on capacity, condition, collateral, and security capital of the loan applicant			6.0	48.3	45.7	4.40	0.603
Credit terms given by this organization are more attractive to act as incentive to clients without incurring unnecessary high levels of bad debts		0.9	8.6	42.2	48.3	4.38	0.681
Credit collection policy of this organization is directed at accelerating recovery from slow payers and reduce on bad debts losses		1.7	6.0	48.3	44.0	4.34	0.674

Source: Primary data (2020)

Table 4.6 highlights the respondents' opinions on the level of credit policy of Organizations in Ibanda Municipality. The study investigation revealed that the majority of the respondents agreed (57.8%) that credit policy of the Organization ensures consistency in operation and adherence to uniform sound practices ($\bar{X}=4.25$, $SD=0.603$). In terms of effectiveness, the study found out that most of the Organizations have effective credit policy which is a requirement for achieving high financial performance ($\bar{X}=4.41$, $SD=0.699$).

The study found out that a bigger percentage of respondents supported that credit standards set by Organizations divisions are based on capacity, condition, collateral, and security capital of the loan applicant ($\bar{X}=4.40$, $SD=0.603$).

The implication of the findings is that there are stringent credit standards that ensures that borrowers are in position pay back the loans given to them thus an indication of high level financial performance of Organizations.

In relation to credit terms, the majority of the respondents strongly supported the argument that credit terms given by Organizations are more attractive to act as incentive to clients without incurring unnecessary high levels of bad debts ($\bar{X}=4.38$, $SD=0.681$). The findings imply that there is growth in the proportion of borrowers since there are attractive credit terms to borrowers and this could be the justification for the growth in financial performance of Organizations. In line with credit collection policy, most of the respondents (48.3%) agreed that credit collection policy of Organizations in the divisions of Kampala is directed at accelerating recovery from slow payers and reduce on bad debts losses ($\bar{X}=4.34$, $SD=0.674$). This implies that debtors usually pay back their loans in time due to effective credit collection policy of Organizations and this could be the reason why the financial performance of Organizations has grown.

Inferential statistics on the relationship between the study variables

This part involves testing the hypothesis whether there is a statistically significant relationship between the study variables. The relationship was tested using spearman's rank correlation at 5% and 1% level as detailed in table 5.

Table 5: Spearman's rank correlation results between the study variables

		Capital adequacy	Financial gap ratio	Cash generation	Credit policy	Financial performance
Capital adequacy	Correlation Coefficient	1.000	.446**	.307**	.196*	.214*
	Sig. (2tailed)	.	.000	.001	.035	.021
	N	116	116	116	116	116
Financial gap ratio	Correlation Coefficient	.446**	1.000	.579**	.352**	.403**
	Sig. (2tailed)	.000	.	.000	.000	.000
	N	116	116	116	116	116

Cash generation	Correlation	.307**	.579**	1.000	.627**	.610**
	Coefficient					
	Sig. (2tailed)	.001	.000	.	.000	.000
	N	116	116	116	116	116
Credit policy	Correlation	.196*	.352**	.627**	1.000	.615**
	Coefficient					
	Sig. (2tailed)	.035	.000	.000	.	.000
	N	116	116	116	116	116
Financial performance	Correlation	.214*	.403**	.610**	.615**	1.000
	Coefficient					
	Sig. (2tailed)	.021	.000	.000	.000	.
	N	116	116	116	116	116
**. Correlation is significant at the 0.01 level (2-tailed).						
*. Correlation is significant at the 0.05 level (2-tailed).						

Source: Primary data (2020)

The study found a weak but a statistically significant relationship between capital adequacy and financial performance of Organizations ($r=0.214$, $P<0.05$). The implication is that as capital adequacy is effectively enhanced, there would be a slight improvement in the financial of Organizations. The findings indicate that financial gap ratio had a positive weak but significant relationship with financial performance of Organizations ($r=0.403$, $P\text{-value}<0.01$). The findings imply that an improvement in financial gap ratio slightly improves on the financial performance of Organizations. The study found that there was a moderate positive and significant relationship between cash generation and financial performance of Organizations ($r=0.610$, $P\text{-value}<0.01$). The implication is that an improvement in cash generation also moderately increase on the financial performance of Organizations. The correlation results revealed a positive moderate and significant relationship between credit policy and financial performance of Organizations at 0.01 level of significance ($r=0.615$). The implication of the findings is that an effective credit policy results into an improvement in financial performance.

Regression analysis of the study findings

The regression analysis was performed to determine the effect of risk management dimensions on financial performance of Organizations. The findings are presented using a multiple linear regression model as shown in the Table 6.

Table 6: Multiple Regression model findings

Model Summary						
Model		R	R Square	Adjusted R Square	Std. Error of the Estimate	
1		.731 ^a	.534	.518	.37119	
a. Predictors: (Constant), Credit policy, Capital adequacy, Financial gap ratio, Cash generation						
ANOVA						
Model		Sum of Squares	do	Mean Square	F	Sig.
1	Regression	17.549	4	4.387	31.842	.000 ^b
	Residual	15.294	111	.138		
	Total	32.842	115			
a. Dependent Variable: Financial performance						
b. Predictors: (Constant), Credit policy, Capital adequacy, Financial gap ratio, Cash generation						
Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.435	.420		1.036	.002
	Capital adequacy	.001	.079	.001	.018	.006
	Financial gap ratio	.053	.094	.049	.560	.005

Cash generation	.354	.097	.363	3.666	.000
Credit policy	.492	.097	.418	5.047	.000
a. Dependent Variable: Financial performance					

Source: Primary data (2020)

The regression analysis in Table 6 was performed to determine the effect of Capital adequacy, financial gap ratio, Cash generation, and credit policy on financial performance of Organizations. The study found out that Capital adequacy had a positive and significant effect on financial performance of Organizations ($\beta=0.001$ P-value<0.05). The study findings

reveal that if capital adequacy increases by one unit, there would be an increase in the financial performance by 0.001. The results imply that as Organizations improves on their capita, there may be a significant improvement in financial performance.

The multiple regression findings indicate that financial gap ratio had a significant positive effect on financial performance of Organizations ($\beta=0.053$, P-value<0.05). The regression findings show that an improvement in financial gap ratio by one unit leads to an improvement in financial performance by 0.053. The findings may imply that an effective financial gap ratio may improve on financial performance of Organizations.

In terms of cash generation and financial performance, it was found out that cash generation had a significant positive effect on financial performance of Organizations ($\beta=0.354$, Value<0.05). The model findings reveal that an additional increase in cash generation results into an increase financial performance by 0.354. The results may imply that as Organizations generate more cash, it increases the likelihood of financial performance.

Finally, the study established that credit policy had a positive and significant effect on the financial performance of Organizations ($\beta=.492$, P value<0.05). The model coefficients show that an increase in credit policy by one-unit results into growth in financial performance by

0.772. The results may imply that effective credit policy increases on financial performance of Organizations. From the interviews conducted by the key informant officials, it was evident that the credit policy has helped in loan recovery.

The ANOVA results ($F=31.842$, P-value<0.05) indicate that the model fits perfectly Credit policy, Capital adequacy, Financial gap ratio, Cash generation and financial performance. This implies that the independent variables statistically and significantly predict financial performance of Organizations. The Adjusted R Square results (0.518) reveal that Credit policy, Capital adequacy, Financial gap ratio, and Cash generation explain 51.8% of the changes/variations in financial performance of Organizations. The implication of the findings is that effective Credit policy, Capital adequacy, Financial gap ratio, and Cash generation strongly improves on the financial performance.

Discussion of findings

The study found a positive and significant relationship between capital adequacy and financial performance of Organizations. The findings are supported by that of Jorge (2016) who found out a positive relationship between financial performance and capital adequacy in 36 Organizations in Ibanda municipality. The study found that there is enough capital available to support the continued operation of Organizations. The results are in line with Malimi (2017) who found that enough available capital supported the continued operation of Organizations and other banking institutions such as commercial banks.

The results show that there is growth in capital compared with the assets of the Organizations in the divisions of centenary bank Ibanda Municipality. The findings concur with the study of Mugwang (2014) in Kenya which established that there was growth in capital compared with the assets of the Organizations. The study also revealed that the Organizations in the divisions of maintain a minimum sufficient capital with a purpose of meeting the demand of its customers. The findings are supported by Hakenes and Schnabel (2010) who contended in their study that Organizations maintained a minimum sufficient capital with a purpose of meeting the demand of its customers.

Financial Gap Ratio and Financial Performance of Organizations

The study found that financial Gap ratio had a positive and significant relationship with the financial performance of Organizations. The findings are also in line with Kagunda (2018) who found out in his study that financial gap ratio had a weak and significant relationship with financial performance of Organizations. The study found out that the interest rates charged on borrowed loans reduce on loan defaulting in Organizations in the divisions of centenary bank Ibanda municipality. However, the findings are not in agreement with Kariuki and Ngahu (2016) who established that the interest rates charged on the borrowed loan led to loan defaulting which in turn led to loan nonperformance thus poor financial performance in Organizations.

The study found out that there is a lower debt compared to the value of the assets of Organizations in the divisions of centenary bank Ibanda municipality. The findings are also in agreement with Mwangi (2014) who found out that Organizations had a lower debt compared to the value of its assets which fueled the growth in financial performance of Organizations. In terms of liabilities, the study revealed that liabilities of Organizations are small and have helped to improve on their financial performance. The findings conform to Bryan (2015) who found out that Organizations with small liabilities helped to improve on their financial performance.

Cash Generation and Financial Performance of Organizations

The results from the study showed that Cash Generation had a positive and significant relationship with Financial Performance of Organizations. The findings are supported by Odhiambo (2013) who found out that cash generation had a statistically significant relationship with the financial performance of deposit taking savings and credit cooperative societies licensed by organization in Nairobi county. The results indicate that Organizations in the

divisions of centenary bank Ibanda municipality conduct regular cash budgeting to eliminate liquidity issues. The findings are also in agreement with Kotut (2003) who established that regular cash budgeting within Organizations is helpful during the process of planning for shortage and surplus of cash and has a positive and significant effect on the financial performance.

Credit Policy and Financial Performance of Organizations

The study found a positive and significant effect of credit policy on financial performance of Organizations. This implies that effective credit policy increases on the financial performance of Organizations in the divisions of centenary bank Ibanda Municipality. The findings are in agreement with Ajiambo (2013) who found out a positive and significant effect of credit policy on financial performance of Organizations in Nairobi County in Kenya. The study found out that the credit policy of the Organizations ensures consistency in operation and adherence to uniform sound practices. The findings are supported by Maiti (2015) who established in his study that credit policy ensures consistency in operation and adherence to uniform sound practices of Organizations.

Conclusion

The study found that there is a positive and significant relationship between capital adequacy, financial gap ratio, cash generation, credit policy, and the financial performance of Organizations in the divisions of Centenary Bank in Ibanda Municipality. The findings are supported by previous studies that have demonstrated similar relationships between these factors and the financial performance of organizations and banking institutions. The results indicate that the Organizations in the study maintain sufficient capital, have a lower debt-to-asset ratio, conduct regular cash budgeting to manage liquidity, and have an effective credit policy, all of which contribute to their improved financial performance. Overall, the findings suggest that careful management of capital, financial gap, cash generation, and credit policy can lead to enhanced financial performance for Organizations in the Ibanda Municipality.

Recommendations

The recommendations are presented in light with the study objectives as shown below.

There is need by Organizations to ensure that there are enough funds available to support their continued operation. For instance, Organizations should ensure that funds are available to meet the demands from the borrowers and this can be done by limiting their investment in assets that cannot easily be converted into cash.

The Organizations should continue charging small interest rates on borrowed funds to increase on the proportion of borrowers and also reduce on loan defaulters.

There should be continued regular cash budgeting in Organizations since it eliminates liquidity issues and enhances financial performance.

The Organizations should continue sensitizing their members to save more since this would create enough funds available to meet the demand of the borrowers.

The study recommends that the credit standards set by Organizations should continue to be based on capacity, condition, collateral, and security capital of the loan applicants since it's a crucial requirement improving financial performance.

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