INFLUENCE OF EXCHANGE RATE MOVEMENTS ON FINANCIAL PERFORMANCE INCENTENARY BANK HEAD OFFICE UGANDA

BY

NAKAZZI VYNA KUSH

17J03DMBA025

A THESIS SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF BUSINESS ADMINISTRATION DEGREE IN THE BUSINESS SCHOOL OF AFRICA NAZARENE UNIVERSITY

JUNE, 2022

DECLARATION

I declare that this document and the research that it describes are my original work and that they have not been presented in any other university for academic work.

Nakazzi Vyna Kush

17J03DMBA025



_____ **Date:**5th.06.2022

Student Signature

This research was conducted under our supervision and is submitted with our approval as university supervisors.

Dr. Karimi Stella Silas



_____ Date; 5th.06.2022

University supervisor

Africa Nazarene University

Nairobi, Kenya

DEDICATION

This work is dedicated to my beloved mother Ms. Nalongo Joyce Namyenya, My brothers, Ben Franklin, Saul, Michael Kizza, Billy Francis and George; My sisters, Esther, Julie, Peace, Jocelyn Della and my basketball coach Mike. You have been my inspiration and encouragement all the way through my academic journey and achievements.

ACKNOWLEDGMENTS

I would like to give thanks to Almighty God for enabling me to see through this process. My sincere gratitude to my supervisors, Dr Karimi Stella for the guidance and advice that has motivated me to write this thesis. I also would like to thank my dear friends: Asea Richard, Etabu Emmanuel, NgonziPritex, Marggi Shelly, Kadesa Tracy, Ayodi Daisy, Wamboi Elizabeth, Makena Irene, Abedy Rehema, Mumo Mercy, and my basketball family; and the entire Africa Nazarene University community for providing me with a good environment and facilities to enable the completion of this thesis.

TABLE OF CONTENTS

DECLARATION i

DEDICATION ii

ACKNOWLEDGMENTS iii

LIST OF TABLES ix

LIST OF FIGURES xi

ABSTRACT xii

DEFINITION OF KEY TERMS xiii

ABBREVIATIONS AND ACRONYMS xvi

CHAPTER ONE 1

INTRODUCTION 1

1.1. INTRODUCTION 1

1.2. BACKGROUND OF THE STUDY 1

1.3. STATEMENT OF THE PROBLEM 7

1.4. PURPOSE OF THE STUDY 8

1.5. OBJECTIVES OF THE STUDY 8

1.6. HYPOTHESIS OF THE STUDY 8

1.7. SIGNIFICANCE OF THE STUDY 9

1.8. SCOPE OF THE STUDY 10

1.9. DELIMITATION OF THE STUDY 10

1.10. LIMITATIONS OF THE STUDY 11

1.11. ASSUMPTIONS OF THE STUDY 12

1.12. THEORETICAL FRAMEWORK 12

1.13 CONCEPTUAL FRAMEWORK 15

CHAPTER TWO 18

LITERATURE REVIEW 18

2.1. INTRODUCTION 18

2.1.1. Economic stability and financial performance in Centenary Bank Uganda 18

2.1.2. Monetary policies and financial performance of Centenary bank Uganda limited. 20

2.1.3. International trade competitiveness and financial performance of Centenary bank21

2.2. SUMMARY AND RESEARCH GAP 25

CHAPTER THREE 26

RESEARCH METHODOLOGY 26

3.1. Introduction 26

3.2. Research Design 26

3.3. Research Site 26

3.4. Target Population 27

3.5. Study Sample 27

3.5.1 Sample size 28

3.5.2. Sample procedure 28

3.6 Data Collection 29

3.6.3 Pilot Testing of Research Instruments 29

3.6.4 Instrument Validity 30

3.6.5 Data Collection Procedure 30

3.7 Data Analysis 31

3.8 Legal and Ethical Considerations..... 31

CHAPTER FOUR..... 32

DATA ANALYSIS, PRESENTATIONS, INTERPRETATIONS AND DISCUSSIONS 32

4.1 Introduction..... 32

4.2 Questionnaire Return Rate..... 32

4.2.1 Financial performance in Centenary bank head office Uganda. 32

4.2.2 Age bracket of the Respondent 33

The findings of the study obtained are indicated in Table 4.3 33

4.3 Financial performance in Centenary bank head office Uganda 36

4.4 Level of economic stability influences financial performance in Centenary bank head office Uganda..... 41

4.4.1 Correlation analysis of level of economic stability and financial performance..... 44

4.4.2. Regression Analysis of level of economic stability influence financial performance in Centenary bank 45

4.4.3 Model summary of level of economic stability influence financial performance in Centenary bank 46

4.4.4. ANOVA of economic stability and financial performance 47

4.4.5. Coefficients for regression of economic stability and financial performanceCentenary bank 48

4.5: Monetary policies influence financial performance in Centenary bank Head office Uganda..... 49

4.5.1 Correlation analysis of monetary policies and financial performance 53

4.5.2. Regression Analysis of monetary policies and financial performance in Centenary bank head office Uganda. 54

4.5.3. Model summary of monetary policies and financial performance..... 54

4.4.4. ANOVA of monetary policies and financial performance 55

4.4.5. Coefficients for regression of monetary policies and financial performance..... 56

4.6 International trade competitiveness influences performance in Centenary Bank..... 56

4.6.1. Regression Analysis of international trade and financial performance in Centenary bank 61

4.6.2.1 Model summary of international trade and financial performance in Centenary bank 62

4.6.2. ANOVA of international trade andfinancial performance in Centenary bank 62

4.6.3 Coefficients for regression of international trade andfinancial performance in Centenary bank 63

CHAPTER FIVE 65

DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS..... 65

5.1 Introduction..... 65

5.2. Discussions of findings..... 65

5.2.1. Economic stability and financial performance..... 65

5.2.2. Monetary policies influence financial performance in Centenary bank Head office Uganda..... 66

5.2.3. International trade influence financial performance in Centenary bank Head office Uganda..... 67

5.3 Conclusions..... 67

5.4 Recommendations 69

5.5 Suggestions for Further Research 69

References 70

APPENDICES 78

Appendix 1: Draft Letter of introduction 78

Appendix 2: Questionnaire to Centenary bank 79

LIST OF TABLES

Table 3. 1: Target Population 27

Table 3. 2: Sample Size 28

Table 3. 3. Sampling Procedure 29

Table 4. 1: Questionnaire return rate 32

Table 4. 2. Distribution of Respondents by gender 33

Table 4. 3. Distribution of Respondents by age bracket 33

Table 4. 4: Distribution of Respondents by their current position in the Bank 34

Table 4. 5: Distribution of Respondents by level of education qualification 35

Table 4. 6: Distribution of Respondents by duration of working in the bank 35

Table 4. 7: Financial performance in Centenary bank head office Uganda. 37

Table 4. 8: Level of economic stability influences financial performance in Centenary bank head office Uganda 41

Table 4. 9: Correlation analysis level of economic stability and financial performance 45

Table 4. 10: Regression Model Summary table of economic stability and financial performance 46

Table 4. 11: ANOVA of Regression of economic stability and financial performance 47

Table 4. 12: Coefficients for Regression economic stability and financial performanceCentenary bank 48

Table 4. 13: Monetary policies influence financial performance in Centenary bank Head office Uganda 49

Table 4. 14: Correlation analysis level of monetary policies and financial performance 53

Table 4. 15: Regression Model Summary table of monetary policies and financial performance 54

Table 4. 16: ANOVA of Regression of monetary policies and financial performance 55

Table 4. 17: Coefficients for Regression of monetary policies and financial performance....56

Table 4. 18: International trade competitiveness influences performance in Centenary bank head office Uganda. 57

Table 4. 19: Correlation analysis of international trade and financial performance in Centenary bank 61

Table 4. 20: Regression Model Summary table of financial performance in Centenary bank 62

Table 4. 21: ANOVA of Regression of international trade and financial performance in Centenary bank 63

Table 4. 22: Coefficients for Regression of international trade and financial performance in Centenary bank 64

LIST OF FIGURES

Figure 1: Yamane Formula For Sample Size 28

ABSTRACT

The study aims at investigating the influence of exchange rate movements on the financial performance of Centenary Bank Uganda Limited, head office. In general, the study reviews theoretical and empirical concepts on the level of economic stability, monetary policy and level of international competitiveness and how they determine exchange rate movements which affect the financial performance of Centenary bank, Uganda. The study employs a descriptive survey research design. The study was guided by the following objectives: to establish the extent to which level of economic stability influences financial performance in Centenary bank head office Uganda; to examine how monetary policies influence financial performance in Centenary bank. Head office Uganda and finally to determine how international trade competitiveness influences performance in Centenary bank head office Uganda. Data was collected through interviews and questionnaires tools. The study uses the mixed research methodology to lay out a correlation analysis that explains the association between the variables. Target population of the study is 65 and a sample size of 56. Data was cleaned, coded and analyzed by use of SPSS version 25 statistical software. The findings of the study indicated there is a significant relationship between economic stability and financial performance, there is a significant relationship between monetary policies and financial performance and lastly there is a significant relationship between international trade and financial performance in Centenary bank head office in Uganda. The study recommends that Centenary bank needs to dedicate adequate resources to enlighten their staff and the customers on economic stability, monetary policies and international trade regulations. The study suggested the area of further research should be carried out on how to train and educate more citizens on bank interest and profits and how they can benefit them.

DEFINITION OF KEY TERMS

Appreciation this describes an upward movement in the value of a freely floating exchange rate for domestic or foreign currency. This may occur over a short or long period of time.

Bilateral Exchange Rates refers to the value of one currency relative to another; typically quoted against the US dollar (USD), as it is the most traded currency globally

Commercial Bank refers to a financial institution licensed in a country that accepts deposits, checking account services, lending, and offers basic financial products like financial advisory and savings accounts to individuals and small businesses.

Contractionary Monetary Policy means a monetary policy that reduces the supply of money and loans

Currency means trade able banknotes and coins constituting the legal tender of a nation denoted in the nations monetary exchange; for example, United States Dollars, Uganda Shillings, Euros etc.

Depreciation this describes a downward movement in a floating exchange rate for domestic or foreign currency. This may occur over a short or long period of time.

Devaluation means that the government has changed the fixed rate of a fixed exchange rate downwards.

Domestic currency means the monetary instrument which is legal tender in the economy and issued by the monetary authority of that economy, or for the common currency area to which the economy belongs

Exchange Rate this means the amount that one currency is worth when compared to another currency.

Exchange Rate Movement is referred to as exchange rate fluctuation or exchange rate variations which means the unanticipated increase or decrease in the value of one currency as compared to another affected by market forces of demand and supply.

Financial performance is the measure of a corporation's achievement of its financial goals guided by its financial objectives and benchmarks such as liquidity and profitability.

Fiscal Policies refers to the instruments or means by which the government uses its expenditure and tax regime to influence macro and microeconomic conditions of a nation.

Foreign currency means the monetary instrument which is legal tender in another economy other than the domestic economy and issued by the monetary authority of that other economy, or for the common currency area to which the economy belongs

Foreign exchange is known as forex, is the conversion of one country's currency into another, the value of which is determined by market forces related to trade, investment, tourism, and geo-political risk.

Inflation refers to the measure of the rate of rising prices of goods and services in an economy, due to increases in production costs, such as raw materials and wages and a spontaneous surge in demand for products and services by consumers.

Interest rate refers to the amount a lender will charge a borrower and is a determined percentage of the amount loaned or lend.

Interest Rate spread is the difference between the interest rate a bank pays to depositors and the interest rate it receives from loans to consumers.

Liquidity margin the level and amount of assets in cash kept by a bank during a transactional period

Profitability margin the level of profit made form trade in financial assets and doing business

Real exchange rate is the product of the nominal exchange rate between two or more currencies and the ratio of prices of tradable goods between the two or more countries.

Revaluation describes an upward movement in an exchange rate, but in a fixed exchange rate system. This was a very infrequent event and means the government has deliberately changed the fixed value of the exchange rate upwards.

Return on Assets refers to an indicator of how profitable a corporation is, relative to the amount obtained from the trade of its assets.

ABBREVIATIONS AND ACRONYMS

BOU:	Bank of Uganda
CBR:	Central Bank Rate
CRB:	Credit Reference Bureau
DSIB:	Domestic Systemically Important Bank
EAC:	East African Community
ER:	Exchange Rate
ERER:	Equilibrium Real Exchange Rate
EU:	European Union
FX:	Foreign Exchange
GBP:	Great Britain Pound
GDP:	Gross Domestic Product
IMF:	International Monetary Fund
NATREX:	Natural Real Exchange Rate
NER:	Nominal Exchange Rate
OECD:	Organization for Economic Co-operation and Development
PPP:	Purchasing Power Parity
RER:	Real Exchange Rate
ROE:	Return on Equity
SBU:	Stanbic Bank Uganda
SMEs:	Small to Medium scale Enterprises
UGX:	Uganda Shilling
USD:	United States of America Dollar

CHAPTER ONE

INTRODUCTION

1.1.Introduction

This chapter entailed an insight on the influence of exchange rate movements on the financial performance in Centenary bank head office, Uganda. It presented a concise background of the study, the statement of the problem, the objectives of the study, the significance of the study and the study scope. The chapter shall further delve into the delimitations and limitations of the study, the theoretical and conceptual framework of the study, clearly delineating the study variables.

1.2.Background of the study

This section presents the background of the study on the following perspectives namely; Level of economic stability, Monetary Policies, International trade competitiveness and financial performance in Centenary bank head office Uganda.

Economies across the globe have shifted from trade in national currencies only to trade in competing and bilateral currencies. (De Grauwe & Grimaldi, 2018). The global trend is that foreign exchange trade is associated with depreciation, devaluation, or appreciation of domestic and competition of currency rates in terms of purchasing power on the international market(Andrii, 2021). The value and competitiveness of the domestic currency on the global foreign exchange market is often determined by levels of economic stability; reflected by the changes in demand and supply of imports and exports in a country and monetary policy framework (Awana, 2021). With this continuous trend comes a prorated inevitability of exchange rate movements.

Exchange rate movements reflect changes in interest rate, relative price levels and international competitiveness of products in a country by either an appreciation or depreciation of the domestic currency trade with other currencies in an economy (Marcel,

2019).Banks in developing countries and across the globe rely heavily on foreign exchange trade while doing business; particularly commercial lending and deposit taking, in the sense that the amounts traded and interest rates involved in such business are influenced by the exchange rate movements (Virtorio, Goldstein, & Khan, 2019).

Indeed, studies from banks in India and Indonesia show that as banks engage in foreign exchange trade with customers, they obtain their profit through the increasing net interest spreads; in which the amount of interest on a financial asset such as a loan exceeds the interest on deposits.(Reza &Solikin, 2021).

In Africa, Scholars such as Otieno Pancras (2017) use the case study of Banks in Kenya to demonstrate the operation of commercial banks in light of exchange rate movements. He argues that commercial banks usually facilitate foreign exchange transactions for their customers and often conduct speculative trades from their own trading platforms. Speculative trades usually consider stumbling blocks such as inflation rates, economic stability in the country, international trade competitiveness and effects of invasive monetary policies such as trade quotas on banking business (Rob & Gregoriou, 2021). These elements are used by global economies and banking sectors in particular analyze and improve future business strategies in order to enhance the profit projections obtained from foreign currency trade with customers

1.2.1. **Level of economic stability**

Economic stability of a country is measured by the degree of uncertainty in economic activity and the extent to which such fluctuations impose significant short and long-term costs to businesses (Dinh, Iyke, Sharma, &Affandi, 2021). Accordingly, foreign capital tends to flow into countries that have strong governments and stable economies, with stable currencies (Chehade, 2021). A country afflicted by inflation and overall depreciation therefore, needs a

relatively stable currency to attract capital from foreign investors in order to boost stable financial prospects.

Inflation is a common indicator of the level of economic stability and the main cause for devaluation of domestic currency for countries that are substantial importers (Morvillier, 2020). This could be attributed to the fact that a sudden increase in imports prices would result in the increase in use of the domestic currency; hence causing its devaluation and further exchange rate movements. This means thatan increase in exports of the same good is needed to get back to the original price point and therefore appreciation of the domestic currency; a strategy which is increasingly difficult for developing economies.

While they may be as a result of an unstable economy, exchange rate movements tend to further destabilize the economy in terms of price fluctuations, inflation and general decline in competitiveness of the domestic currency.(Kohler, Josef, &Dilhan, 2017).

Some scholars such as Menya(2021) have perceived this upward and downward trend in exchange rate margins to be driven by high capital mobility, productivity, market fundamentals, central bank intervention and speculation of economic growth rate. Uganda has suffered periods of economic instability; characterized by inflation and periods of rapid depreciation of the domestic currency (the Uganda shilling) against the United States dollar (USD), Great Britain Pound (GBP), and more recently, digital crypto currencies(Orach, et al., 2021). However, the Uganda shilling (UGX) today remains relatively stable with a bias towards appreciation (BoU, 2021).

Commercial banks in Uganda are no exception to the effect of economic stability on currency fluctuation since it affects banking investment and interest rates due the fluctuation of domestic currency values. Despite these occasional shortfalls, the banking sector in Uganda has continued to grow significantly in financial performance through the past decade. For

instance, statistics from the Central Bank of Uganda show that the gross financial profit in assets and liquidity in the banking sector increased from 5.3% in December 2018 to 10.5% in December 2020 (BoU, 2020). This tremendous performance is owing to increased technology in commercial banking and engagement in international commerce to counter economic instability (Ebong& Babu, 2021).

1.2.2. Monetary Policies

Monetary policies are tools with which governments control core inflation over a medium-term horizon thereby analyzing and curbing the effect of exchange rate movements. (Luca Dedola, et al., 2020). The most common monetary policy in regulating exchange rate movements is the contractionary monetary policies and Exchange Rate Mechanisms (ERM). Here, the governments can influence the relative price of their national currency in forex markets by tweaking a currency peg in order to normalize trade and minimize the influence of inflation. This form of monetary policy was used by the government of Thailand during the Asian financial crisis to stabilize Thai bhat.

In Kenya,the Central Bank uses contractionary monetary policies to regulate exchange movements by buying securities on the open market.(Kithuka, 2015). This increases the reserves of Commercial banks, making it possible for them to expand their loans and increase the money supply. This means that Commercial Banks can expand their loan book and thus increase in their profits.

Monetary policies in Uganda’s banking sector are not any different and they are limited to occasional interventions such as purchase or sale of foreign currency in order to dampen excessive volatility in the exchange rate. (BoU, 2022). As part of the ERM to stabilize the Uganda shilling during inflation, bank of Uganda uses inflation targeting monetary policy frameworks such as the monthly Central Bank Rate (CBR) interest rate.The CBR is set at a

level which is consistent with moving core inflation towards the BOUs policy target of 5% over the medium term. (BoU, 2021)

However, analytical work done in Centenary Bank Uganda limited indicates that the impact of such monetary policies on inflation is that the exchange rate fluctuation is stabilized for six quarters but become weaker after about eight quarters due to economic instability and drastic changes in demand and supply. (Ngor, 2019). Nonetheless, such a financial system creates a conducive environment that facilitates savings mobilization and investment allocation for Centenary Bank Uganda limited, thereby, allowing for proper planning, growth of the economy, and financial performance of the bank as a whole.

1.2.3. International trade competitiveness

As economies become increasingly integrated into the global trade system through open trade and sustained import and export diversification, they envisage trade competitiveness; especially trade with national and international currencies on the international exchange markets (Saez&Gillson, 2021). The level of international trade competitiveness allows analysts to determine how exchange rate changes affect a country's external position by examining their relationship to the incentives faced by consumers and investors in their consumption and production decisions (Hooper & Jaime, 2021).

For example, a study in Ireland shows that the relationship between the competitive position of Ireland's currency and market anticipations of a devaluation of its exchange rate to USD dollar gauges its trade competitiveness. This is in the sense that when competing currencies are pegged, exchanged rate fluctuation between the two currencies becomes the measure for the currencies' trade competitiveness. This is somewhat akin to the purchase power parity of bilateral currencies in that the purchasing power of a currency is determined by the strength of the dominant currency on the international market which in turn either causes the national

currency to appreciate or depreciate, hence leading to exchange rate movements. (Bostan, Toderascu, & Firtescu, 2020)

However, examining trends in competitiveness alone, independent of developments such as the level of economic stability and monetary policies and financial market conditions provides only a partial account of the effect of international trade competitiveness on exchange rate movements for banks.

1.2.4.Financial performance in Centenary bank head office Uganda

Centenary Bank Uganda Limited is not distinct from other banks in its business strategies and financial progression relative to exchange rate movements. As this study will show, the financial performance of Centenary bank Uganda limited, in terms of liquidity and profitability, has stood the test of time especially during exchange rate movements. Centenary Bank Uganda limited, Mapeera branch is the head office of the bank and averages over 5,000 foreign exchange transactions each day. The bank's profit after tax increased from UGX 155.9 billion in 2019 to UGX 161.2 billion in 2020 registering an increase of 3.4% from 2.87% (Kasi Fabian 2021).

For Centenary Bank Uganda Limited, changes in the exchange rate of this magnitude especially if sustained could render it virtually difficult to track not only the bank's investment patterns but also its profitability. While this proposition isarguable, it provides a starting point for understanding exchange rate determination and its relationship to the financial performance of commercial banks in Uganda. With reference to their micro and macro-economic performance determinants and statistics, the selected banks will provide insight on how exchange rate movements affect the financial performance of commercial banks in Uganda.

1.3.Statement of the problem

Banks in Uganda predominantly thrive and profit from commercial lending whose rates are affected by prevailing market exchange rates. This implies that any changes in the exchange rates could have significant impacts on the banks' financial performance.

While this is uncontroversial, exchange rates in Uganda are highly volatile due to inflation which makes it difficult for commercial banks to ascertain their asset values, their projected liabilities and income (Mugume & Opolot, 2019). As such, it is difficult for the banks to forecast their financial performance with precision. The volatility in exchange rates creates an uncertainty in the trade patterns for banks in order to target profitability. This is in spite of various measures and fiscal policies being formulated by the central bank of Uganda to curb the spontaneous exchange rate movements.

For example, due to exchange rate volatilities and inflation, Bank of Uganda steadily reduced the central bank rate (CBR) from 23% in 2011 to 9.5% as of 2019 as the banking sector battled high non-performing loans, which ought to have enhanced bank profitability (BoU, 2019). Moreover, the Uganda Revenue Authority (URA) with guidance from Bank of Uganda also identified and subjected large domestic systemically important banks (DSIBs) such as Centenary bank Uganda Limited to a policy of more intrusive supervision which has since been contested (Muteekani, 2018). Notwithstanding these measures, Centenary Bank's Return on Assets unanticipatedly halved to 2.4% from 5% in 2019 (BoU, 2019).

These volatile exchange rate patterns pose a great threat to Centenary Bank Uganda limited which greatly relies on currency exchange in undertaking their operations. If left unchecked, the volatility of exchange rates in Uganda is likely to hinder the precise and accurate determination of financial performance of Centenary Bank Uganda limited thereby creating uncertainty in investment decisions. The study will investigate how the inevitable exchange

rate movements affect the financial performance in Centenary bank Uganda limited and how these variability's can be monitored to determine its financial performance.

1.4.Purpose of the Study

The purpose of the study was to examine the influence of exchange rate movements on the financial performance in Centenary bank head office Uganda Limited.

1.5.Objectives of the Study

This study was guided by the general and specific objectives

1.5.1. General Objective

The main objective of this study was to examine the influence of exchange rate movements on the financial performance in Centenary bank head office Uganda.

1.5.2. Specific Objectives

i) To establish the extent to which level of economic stability influences financial performance in Centenary bank head office Uganda.

ii) To examine how monetary policies influence financial performance in Centenary bank. Head office Uganda.

iii) To determine how international trade competitiveness influences financial performance in Centenary bank head office Uganda.

1.6.Hypothesis of the Study

This study sought to test the following Hypothesis

1. H_o. There is no significant relationship between the level of economic stability and financial performance in Centenary bank head office Uganda.

H_a. There is significant relationship between the level of economic stability and financial performance in Centenary bank head office Uganda.

2. H_o. There is no significant relationship between monetary policies and financial performance in Centenary bank head office Uganda

H_a. There is significant relationship between monetary policies and financial performance in Centenary bank head office Uganda

3. H_o. There is no significant relationship between international trade competitiveness and financial performance in Centenary bank head office Uganda.

H_a. There is significant relationship between international trade competitiveness and financial performance in Centenary bank head office Uganda.

1.7.Significance of the Study

Stakeholders in Uganda's banking sector; such as investors, customers and the government rely on the financial performance of the commercial banks to make decisions on whether to invest their money with these banks. This implies that the need to determine the financial performance of commercial banks is of great importance to these stakeholders. With this justification, this study seeks to provide an insight in the phenomenon of the influence of exchange rate movements to the performance of commercial banks.

The study aims to provide knowledge to economic and financial analysts in Uganda on the relationship between exchange rate movements and commercial banking. This would enable them to streamline their analyses against the prevailing economic concepts in order to find solutions to the profitability of commercial banks.

The study also enlightens the corporate governance of Centenary Bank Uganda Limited to understand the extent to which their liquidity and profits are affected by exchange rate variations. With the knowledge from the findings of this study, the corporate governance structures of these banks was able to devise measures of safeguarding their profit and liquidity trajectories by mitigating the effects of exchange rate variation on their banking business.

While there is a wealth of literature on this subject, little has been researched on the effect of exchange rate movements on the financial performance of commercial banks in Uganda. This study therefore intends to add valuable information to the available literature on commercial banking and finance to which scholars could refer for statistical and empirical evidence on exchange rate movements and the financial performance of banks.

In general, the findings of this study was driven to the benefit of not only the reader in but also to the wider population that uses commercial banking services considering that commercial banks play a vital role in determining the economic stature of the country and predicting financial progress of economic stakeholders in society.

1.8.Scope of the Study

The study focused on determining the relationship between exchange rate movements and the financial performance of commercial banks in Uganda using the case studies Centenary bank head office. It explored the nature of exchange rate movements and how they affect the profit and liquidity of commercial banks in Uganda.

This study was conducted in Uganda; particularly within Kampala at Mapera house where commercial banking thrives and exchange rate movements are more prominent. The researcher intended to engage the management to determine the overall performance of the bank and the extent to which such performance is affected by exchange rate movements.

The researcher referred to recent literature on the topic of the study dating between 2017 to 2021. This choice was made to enrich the study with more relevant and current statistical and empirical information for reliability. This research was intended to be conducted over a period of one (1) year from 2021 to 2022.

1.9.Delimitation of the Study

In order to streamline the purpose of this study, the research could not cover the effect of exchange rate movements on non-deposit taking financial institutions and forex bureaus in

Uganda. The study was limited to only the economic determinants of exchange rate movements such as inflation, interest rates and economic stability to determine their effect on financial performance of commercial banks in Uganda. The sample population in this study was limited only to the management structures of the commercial bank and customers or other stakeholders of the bank.

1.10. Limitations of the Study

During the course of this research, it was anticipated that some of the respondents may be unwilling to divulge current statistics, projections, account details and asset valuations which reflect the banks' financial performance. This was owing to the fact that such information may either be unreliable or rendered as sensitive and confidential in nature. This was likely to slow down the progress of collecting adequate data through interviews or questionnaires to inform the statistical and empirical findings of the study regarding the nexus between exchange rate movements and financial performance of commercial banks in Uganda. To address this limitation, the researcher only gathered information open to the public such as annual financial performance statements which are rich in statistical information on the topic

Similarly, the researcher anticipated that some of the desired pertinent participants in this study such as the chief executive officers and financial analysts may not be easily accessible for interviews due to the fact that they may not be in the country. While the researcher could address this limitation by relying on the internet methods such as Zoom and Microsoft teams to conduct online interviews, a clear internet connection in Uganda is costly and not guaranteed due unanticipated technical issues. This was likely to distort the flow and coherence of interviews for the study. In addition, the financial needs attached to conducting this research such as daily volumes of internet and other logistical expenses may be significantly high. While the researcher intends to address this limitation through a cost-

cutting and manageable budget, the shortage of finances may constrain this progress of research as the researcher's finances are limited and not readily available.

1.11. Assumptions of the Study

In conducting this study, it was assumed that the research was of importance to other scholars in getting new information on the gap addressed in the current study. It is further assumed that the instruments of research including interview guides and questionnaires were used elicit reliable responses in relation to how exchange rate movements affect financial performance of the bank.

1.12. Theoretical Framework

Two theories were discussed which front arguments that will guide this study. These theories included; the purchasing power parity theory and the international fisher effect.

1.12.1. Purchasing power parity theory

The concept of purchasing-power parity (PPP) was originally coined as a theory of exchange rate determination, but also used to compare living standards across global economies (Lafrance & Schembri, 2018). The purchasing power parity theory (PPP) proposes that foreign exchange rate fluctuations are balanced by comparative price indices of identical products in competitive markets; traded for a similar amount when one currency is used to value them; also known as the basket of products phenomenon. (Eleftheriou& Müller-Plantenberg, 2018).

The theory supposes that exchange rates are constructed to translate different currencies into a common currency to measure the purchasing power of per capita income in different countries. (Haidar, 2019). This would be achieved by comparing the national prices for a similar product in competing countries. For example, according to the OECD, the PPP of a currency is best measured in terms of its bilateral exchange rate with a commonly traded

currency such as the USD. (Schreyer &Francette, 2020).For instance, the purchasing power of a Canadian dollar was USD 83 in 2019. The estimate indicates that the equivalent goods and services bought by 100 Canadian dollar in Canada would require USD 83 to purchase in the United States.(Dryden, Reut, & Slater, 2020)

From the perspective of exchange rate determination, PPP is a useful indicator of the effect of inflation rates and monetary policies on the long-term impact on the real exchange rate and financial performance of a given sector. (Faruk &Kızılkaya, 2019). The illustration of the purchasing power parity between the USD and Canadian dollar shows that the PPP exchange rates are much less volatile than the market-determined exchange rate; hence, deviations from absolute PPP are frequent and persistent in developed financial markets. This implies that currency values can deviate persistently from their PPP value in response to economic shocks such as inflation. Therefore, countries with different inflation rates and bilateral exchange rates such as Uganda would expect their exchange rate to adjust and offset price level differentials in the long run.

In terms of commercial banking, therefore, Purchasing Power Parity theory holds that the exchange rates variations affect real income and output of a bank especially in terms of assets traded in foreign currency at the international market. (ICP, 2019). In Uganda, due to large differences in trade price levels of the Uganda shilling (UGX) across global economies, the financial performance of Centenary bank Uganda limited would not be accurately measured to the relative the international trade competitiveness of the UGX only. Comparison of PPPs with various currencies makes it possible to compare the output of economy and levels of income of customers of Centenary bank in real terms by monitoring the price level differences of goods and value traded in UGX compared with other currencies across other

countries. The PPP would therefore provide a platform for Centenary bank to monitor its business strategies for better profit projections.

On the other hand, the government can intervene in the foreign exchange market, bidding up the price of foreign exchange above the PPP by demanding a certain amount of foreign currency irrespective of price which may affect the income margins of banks depending on foreign exchange trades.

1.12.2. International Fisher effect

Propounded by Professor Irving Fisher, the International Fisher Effect (IFE) theory suggests that changes in exchange rates can be predicted by nominal interest rates between countries (Hatemi-J, 2019). It argues that currencies with relative high interest rates are usually afflicted with high rates of inflation, which results in currency depreciation against other currencies (Petr &Kapounek, 2020). By contrast, countries with lower interest rates will likely also experience lower levels of inflation, which can result in increases in the real value of the associated currency when compared to other nations.

The main assumption of this theory is the concept that real interest rates are independent of other monetary variables, such as changes in the country's monetary policy and international trade competitiveness which provide a better indication of the value of a particular currency within a global market (Shobande& Oladimeji, 2021). In Uganda's commercial banking sector, this theory is categorized into two relatable sects; net spot position and the net forward position (BoU, 2017). The net spot position is the position which appears directly on the balance sheet to reflect the difference between the foreign currency assets and liabilities of that particular currency. The net forward position on the other hand, connotes all the amounts to be received less the amounts to be paid in the future in respect of the particular foreign currency. The theory suggests that these positions should be calculated to arrive at

the sum of all net and short- and long-term financial performance positions. This implies that the foreign currency returns are naturally hedged to the extent that the unexpected increase in inflation increases foreign currency returns; hence profitability for banks.

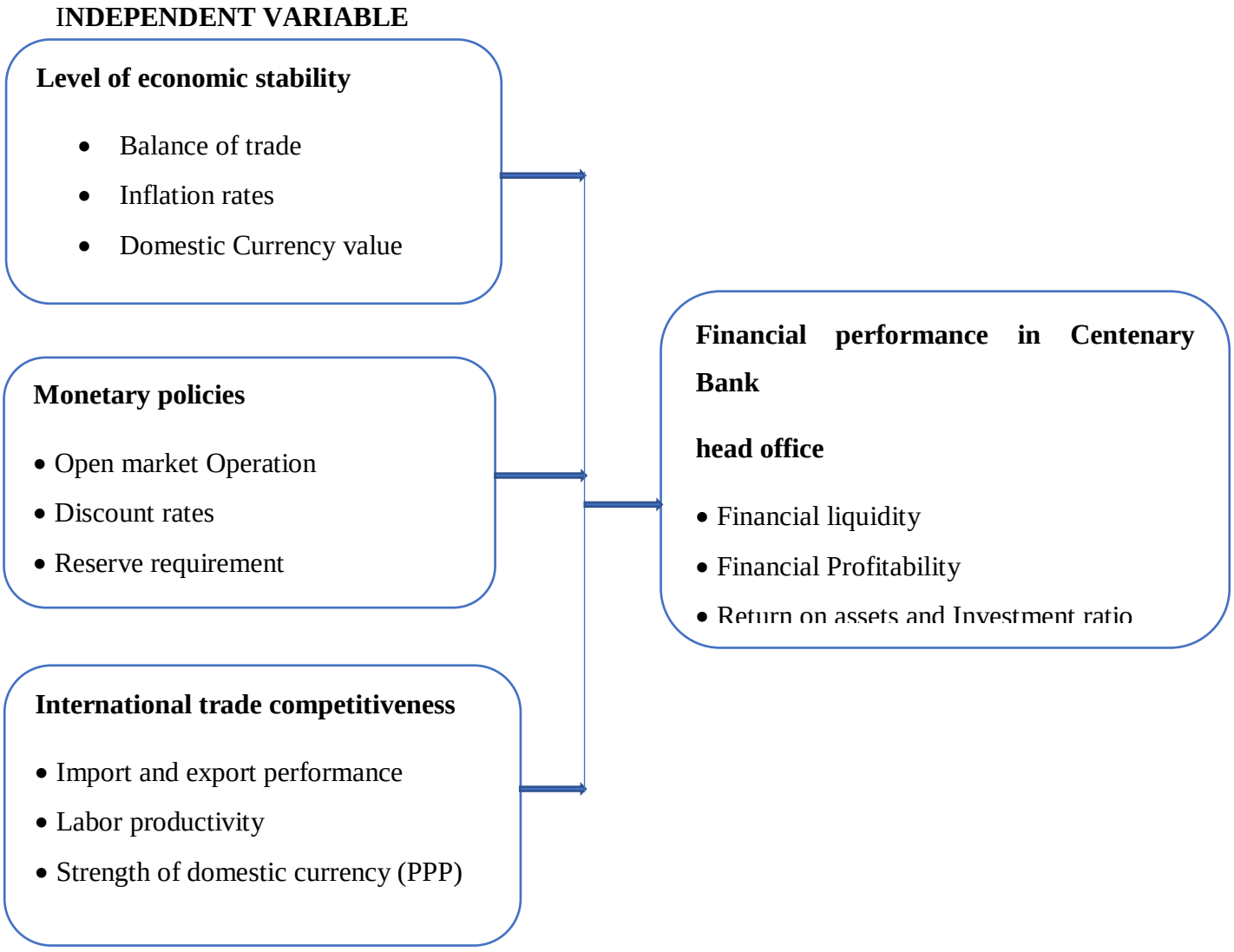
The theoretical framework above attempts to determine the interplay between exchange rate movements and the financial performance of commercial banks. Centenary Bank Uganda limited is not an exception from the operation of these theories in terms of liquidity and profitability. These theories therefore, could be employed to determine the effect of exchange rate movements on the financial performance in Centenary bank Uganda limited

1.13 Conceptual Framework

The conceptual framework illustrated in the model in table 1 below shows the relationship between the study variables. The independent variables are the level of economic stability, monetary policies and international trade competitiveness while the dependent variable is financial performance measured by the profitability and liquidity margins of the commercial bank.

The framework shows that economic stability in the country, the monetary policies, and level of competition in the international markets influence the variations in exchange rates as macro-economic variables such as (Intervening variables). This in turn influence not only the business returns but also the liquidity, profitability and overall sustainability of commercial banks which reflects their financial performance.

Figure 1: Conceptual Framework



Source: Author, 2022

Economic stability is measured against the interplay between inflation rates, the balance of trade (which reflects the level of demand for the country's goods, services and currency) and commercial banks interest rates from the value of domestic currency. Where the economy is afflicted with inflation, the domestic currency is usually devalued and the interest rates by commercial banks are usually low which spurs an increase in commercial lending by banks and a corresponding increase in consumer spending. In such circumstances investors tend to shy away from trading using the domestic currency and are reluctant to hold it for significant

periods or in large amounts in commercial bank accounts. This reduces the liquidity and profitability of commercial banks whose trade is in the devalued currency and will tend to obtain a higher return on investment with trade in foreign currency.

In addition, monetary authorities often react to mitigate the effects of economic instability using monetary policies (Dean, Elardo, Green, Benjamin, &Berger , 2020). In particular, monetary authorities, primarily the central bank may choose to respond through contractionary monetary policies such as increasing or reducing interest rates, selling government securities and raising the reserve requirement for banks, if the impact on exchange rate movements is persistent(Marcelo, 2018). Contractionary monetary policies cause the supply of money and credit in the economy to decrease, which reduces interest rates and in turn stimulates additional borrowing for investment and consumption (Tumwine, Sejjaaka, Bbaale, &Kamukama, 2018). This implies that an exchange rate movement shock to the banks' profitability would only be offset by a gradual reduction in the interest rate which increases borrowing hence more liquidity and profit.

Furthermore, exchange rate movements affect the financial performance of commercial banks in Uganda, both directly and indirectly; owing to the banks operating in the foreign exchange related activities prompted by international trade competitiveness (Rudaheranwa, 2019). Evidence from finance research in Africa shows that as international competitiveness increases, the demand and supply for foreign exchange also increases and this upsurges the volume of foreign exchange transactions (Bahmani-Oskooee & Abera, 2018). This results in constant changes in the exchange rates which are highly unpredictable leading to many economic possibilities including losses and profit for commercial banks.

CHAPTER TWO

LITERATURE REVIEW

2.1.Introduction

Despite the growing literature on the subject, a few studies have examined exchange rate movements and their effect on Centenary bank Uganda limited, drawing from a small number of studies and financial performance reports. Most research has focused on Europe and Asia and a smaller body of African research primarily in West Africa and southern Africa, where the foreign exchange trade and commercial banking have had a long history. The review of the literature in this study will provide an indication of possible trends and issues surrounding exchange rate movements and the extent to which they affect the financial viability of commercial banks in Uganda. The focus of this literature review shall therefore center primarily on three main themes; Economic stability, monetary policies and international trade competitiveness. These themes relate to the financial performance of Centenary bank head office Uganda.

2.1.1. Economic stability and financial performance in Centenary Bank Uganda

Variations in exchange rates are determined by economic stability of the country which influence the profitability and liquidity margins of commercial banks which creates a critical link between the two concepts (Ferrouhi, 2018). The financial performance of Centenary bank Uganda limited would therefore be measured by its liquidity and profitability profile for a given period of commercial transactions amid price fluctuations, inflation rates and depreciation of national currency.

According to Jefferis, Kasekende, Rubatsimbira, &Ntungire (2020) argue that exchange rate movements are characterized by fluctuation in major commodity prices such as stocks, and investment bonds as well as general depreciation of value of national currency. A

combination of these factors correspondingly determines commercial lending rates in commercial banks. This means that in an unstable economy, the fluctuation of exchange rate of the domestic currency is high and therefore banks would increase their interest rates leading to higher return on loans despite lower borrowing rates. This causes the financial performance of the bank to gradually rise. A study by Moyo&Tursoy (2020) supports this argument from an investigation of the profit and liquidity trajectory of Standard bank, Nedbank, Capitec bank and First rand bank during the South African economic recession. The study showed that a higher inflation rate led to higher bank profitability and argues that when core inflation is fully anticipated and interest rates are adjusted accordingly, a positive impact on bank profitability will result.

The aforementioned banks have almost similar financial performance credentials as Centenary bank Uganda Limited and the findings in the 2019 annual report on financial performance of Centenary bank Uganda limited reflect the arguments of the authors of the literature above. The report shows that the commercial lending rate increased by 0.7% during the 2.1% inflation crisis that hit Uganda between 2011 and 2016 (Centenary Bank, 2020). While Centenary bank had a lower borrowing rate, there was a higher return on loans and financial assets traded during this period. Despite the weak national currency and price volatility in Uganda, the bank has maintained a steady interest rate quota biased at the appreciation end by 0.03% per annum subject to exchange rate fluctuations which has earned it a net profit of 3.4% as of 2021. (Khisa, 2021)

The authors of the literature above suggest that Centenary bank would thrive in a volatile economy as a result of rising interest rate which lead to overall higher profitability. Their findings may not be applicable to determine the precise financial performance of Centenary bank since it is determined by fluctuating exchange rates. This study therefore addresses this

gap by investigating the link between the exchange rate variations and profitability of banks to determine how exchange rate movements affect their financial performance.

2.1.2. Monetary policies and financial performance of Centenary bank Uganda limited.

The financial performance of a bank is influenced by the operation of structure and financial pattern that affect the bank's transactions in a given country. These structures and patterns include monetary policies, financial controls and interest rate differentials.

A study by Keita & Camelia (2019) look at the potential for profitability of Centenary bank from the view point of political forces, fiscal policies and institutions in the country. They front the argument that governments manipulate the economy with macroeconomic policies in order to front their political and economic ambitions; as well as to generally stabilize the economy. Thus, the use of exchange rates by government in addition to monetary and fiscal policies creates Political Exchange Rate Fluctuations. Nasir & Morgan (2018) illustrate this assertion using the example of the exchange variations on the pound sterling during the Brexit period. They argue that depending on the exchange rate regime, monetary policies such as trade tariffs and quotas could keep the exchange rates lower to increase the purchasing power of the currency or increase the exchange rate immediately after a political or economic event.

A look at the study conducted by Kamanyire (2018) on Centenary Bank Uganda Limited shows that the interest rates of Centenary bank are approved by the central bank monetary policies on flat rates depending on the inflation caused by exchange rate movements. The

banks can therefore be able to anticipate future inflation and adjust interest rate to generate higher revenue.

A study by Najjemba (2019), however, showed that the central bank often passes fixed rate interests as Uganda's currency value fluctuates to stabilize the economy and exchange rates which lead to higher interest on borrowing.Mbabazize, Turyareeba, Ainomugisha, &Rumanzi(2020) analyzed data on exchange rate fluctuations and the role of monetary policy controls to the financial performance indicators of commercial banks. The study revealed that banks profitability was decreased by the monetary policy on credit restructuring for banks during and immediately after implementation of the lockdown measures to curb the spread of Covid-19 in Uganda. The credit restructuring policies mandated banks to suspend interest on loans and restructure payment terms on commercial lending.

The authors of the literature reviewed above, seem to espouse that that the volume of bank lending and profitability tend to decrease as core inflation rises with adequate monetary policy controls. This trend surrounds the rate of capital inflows and economic growth rate patterns for banks. The result in this literature would show that inflation has a negative effect on financial sector performance even though there was no evidence of thresholds level.

2.1.3. International trade competitiveness and financial performance of Centenary bank

The degree of international competition of currencies in the banking sector reflects the efficiency in production, quality service provision and profitability of banks. Exchange rate movements are commonly associated with two movement patters; appreciation and depreciation of domestic currency value in relation to the value of competing foreign

currency. The predominant trade in foreign currency by commercial banks is used as a direct response to exchange rate fluctuations of the national currency values traded with foreign currency on the international markets. This means that banks such as Centenary bank would prefer to trade using the stronger of competing currencies in order to profit.

Indeed, an investigation by Adam, Kessy, Kombe& O'Connell (2017)suggests that the level of international competitiveness of currencies could be determined when a country subjects its currency value to be determined by the growth of a dominant currency. For instance, observed that, some currencies especially from East African countries seemed to move closely with the United States Dollar and the Great Britain Pound to measure their strength and to forecast their fluctuation patterns. Such mechanisms would be seemingly intended to monitor the competitive performance of the domestic currency at the international market.
While the authors of this literature seem to suggest a workable mechanism to determining and controlling exchange rate variations, they ignore the fact that movements in exchange rates and the price relativity theory also affects the stability of dominant currencies. For instance, Egilsson(2020) espouses that while the dominant currencies such as the USD and GBP obviously affect the level of exchange fluctuations and economies of other currencies, they are not exceptions to the operation of price relativity and interest differentials which determine their exchange rates. This means that pegging to dominant currencies would likely create inaccuracy in measuring the performance of the domestic currency against the fluctuating dominant foreign currencies.

The fluctuation of these patterns in exchange rates usually determine the nature of banking business for commercial banks in Uganda. For instance, this notion using the health of the Malaysian, Indonesian and Thai banking systems. In his study, he found that commercial

banks especially in developing nations will often choose whether or not to trade and invest in a given currency depending on the weight of the return on assets to be gained from such investment. This seems to suggest that the common reaction of commercial banks to exchange rate movements is hinged on the gravity in the effect of the variations to the banks' liquidity and profitability margins (Purwono 2020).

Indeed, most commercial banks in East Africa will prefer to trade in foreign currency such as the United States Dollar, Euro and Great Britain Pound as opposed to their domestic currency during exchange rate fluctuations caused by inflation. The choice of this trend perhaps follows the notion that foreign currency has the most probabilities to increase its value when domestic currency is depreciated by inflation and interest rate differentials argued by scholars such as (Podpiera&Čihák 2018).

The authors in the literature above attempt to contextualize these trend and patterns by reference to commercial banks in emerging economies such as Uganda and juxtapose the exchange rate variation controls from other banking systems. The relevance of the literature is hinged on the notion that amid exchange rate variations, Centenary bank Uganda limited aims to develop and reform their business strategies while protecting against the volatility of foreign capital flows and exchange rates' instability.

At the same time, however, while the authors emphasize managing and imposing capital controls to regulate the effects of exchange rate movements, the predominant trade in foreign currency by commercial banks may not necessarily alleviate the evolving exchange rate variations. This will instead exert a downward pressure on the exchange rate and the national

currency values which worsens the domestic currency devaluation problem without precisely determining the bank's financial performance.

This study therefore comes in timely to assess how commercial banks in Uganda respond to evolving and unpredictability of exchange rate variation patterns to remain afloat; and to develop viable business strategies for their profitability

2.1.4Financial performance in Centenary bank head office Uganda

This performance is attributed to relatively good loans management amidst the COVID-19 challenges, as well as cost optimization and effective participation in the money and security markets during inflation caused by exchange rate variations. (Mwima, 2021). However, whether these statistics are expected to maintain an improving profit trajectory is arguably determined by economic stability, monetary policies and international trade competitiveness in Uganda's commercial banking sector over time.(Makumbi, 2019).

Exchange rate variations are usually manifested in sustained depreciation or appreciation pressures and widening trading margins in Uganda's foreign exchange market brought about by economic instability and relatively low competitive advantage of the domestic currency. The end result is that government tends to regulate and stabilize the economy by imposing contractionary fiscal and monetary policies and determining interest rates on loans. (Nyorekwa& Odhiambo, 2018). Such measures affect banking activity through variations in interest spreads, markups, productivity, and profitability of financial markets.

2.2.Summary and research gap

The literature reviewed in this study is tailored to the objectives of the study which in general are to determine the influence of economic stability, monetary policies and international trade competitiveness to the financial performance of Centenary Bank Uganda limited. The literature reviewed above seems to point towards the notion that commercial banks rely on exchange rates to trade and the applicability of capital inflow strategies is a viable measure of countering the constantly evolving exchange rate movements. The common theme from the literature reviewed above is that the interplay between foreign and domestic currencies and market interventions explain the variations in exchange rates. While their results hinge primarily on the socio-economic end of currency valuations, the authors do not support the argument that monetary growth factors such as balance of payments and currency exports influence exchange rates and hence financial performance for banks. If this possibility is explored, then perhaps commercial banks in Uganda may alter their strategies to involve more domestic currency trades against foreign currency.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

This chapter provided the methodology that was used in the study. The chapter covered research design, sampling design, target population, data collection instruments and data analysis technique.

3.2.Research Design

In this study the researcher used the both the mixed research methods which included the descriptive and survey research design. According to Creswell, mixed methods research is a methodology for conducting research that involves collecting, analyzing, and integrating quantitative and qualitative research in a single study or a longitudinal program of inquiry (Creswell & Creswell, 2017). The purpose of this form of research was that both qualitative and quantitative research, in combination, provide a better understanding of a research problem or issue than either research approach alone (Creswell & Creswell, 2017, p. 189)

The descriptive research design was suitable for the need to describe the interrelationship between determinants of exchange rates variations and the profitability of commercial banks in Uganda to determine their financial performance. Its purpose was to portray the state of affairs as it was. The selected research designs were intended to enable the researcher to contextualize the research questions, hypotheses and analysis for the conduct of the research project through an in-depth study of the research variables and to make accurate finding on the subject of study.

3.3. Research Site

The researcher carried out the study at Centenary Bank head office. The questionnaires were circulated to the senior managers, line managers, department heads and the customers of

Centenary bank head office. The reason for choosing these sites was because this bank had the biggest rural market share in Uganda

3.4. Target Population

A target population connotes the set of desired individuals from whom the researcher intends to obtain information of the study based on desirable criteria that fits the aims and objectives of the study (Mugenda & Mugenda, 2003). The target population consisted of managerial staff and the customers from Centenary Bank Uganda head office as a part of the case study. The researcher collected data from the central bank of Uganda owing to the fact that it regulated and controlled exchange rate movements that determine the commercial lending rates of the commercial banks to determine their financial performances. The study considered selecting the respondents from management staff and the customers. This choice was made following the fact that the statistical information of the financial performance of the overall bank including the performances of its other branches across the country was centrally recorded by the head offices

Table 3. 1: Target Population

Categories	**Target population**
CEO/HR	25
Line managers	50
Department heads	36
Customers	309
Total	**420**

Source Author 2022

3.5. Study Sample

The study selected the sample size from the total population of Centenary bank head office. This was total of 420 respondents all together. The total study population consisted of management officers, financial analysts, bank teller attendants and credit and loan officers of

the bank, line managers however they were categorized into levels that's top management, middle management and customers.

3.5.1 Sample size

A sample of 10% of the total study population was considered in this study. The sample size of the respondents was calculated based on Yamane's formula (Yamane's 1967)

Table 3. 2: Sample Size

Categories	Target population	Sample Size
CEO/HR	25	12
Line managers	50	24
Department heads	36	17
Customers	309	148
Total	**420**	**201**

Source Author 2021

Figure 1: Yamane Formula for sample size

$n = N/(1 + N * e^2)$; Where n=sample size; N= The size of the population; e = the error of the 5-percentage point

$$n = \frac{420}{1 + 420 * 0.1^2}$$

$n = \mathbf{203}$

3.5.2. Sample procedure

Sampling procedure is the process of choosing individuals from a population of interest with the aim of collecting primary data for the study (Check & Schutt, 2012). The study employed the Non probability sampling technique to obtain information from the selected participants. In particular, this study employed the quota sampling. Here, participants were chosen on the basis of predetermined characteristics so that the total sample had the same distribution of characteristics as the wider population. This technique was selected because it was often associated with case study research design and qualitative research since case studies tend to

focus on small samples and are intended to examine actual phenomenon, to make statistical inferences in relation to the wider population. The population of the study constituted the individuals who had met the criteria that were of interest to the researcher, that is to say, they had knowledge, experience and expertise in the field of commercial banking as well as exchange rate movements.

Table 3. 3. Sampling Procedure

Categories	Target population	Sample Size	Sampling Procedure
CEO/HR	25	12	Purposive sampling
Line managers	50	24	Purposive sampling
Department heads	36	17	Simple random sampling
Customers	309	148	Simple random sampling
Total	**420**	**201**	

Source Author 2021

3.6 Data Collection

Data in this study was collected in numerical and statistical forms related to the statement of the problem, to achieve the objectives of the study and delineate the relationship between the independent variable and the dependent variables which form the thematic concepts.

3.6.2Data Collection Instruments

The data was collected using questionnaires and interview guide, both methods were applied so triangulate the information in the study. This was achieved through a review of the available literature from scholarly material, and engaging individuals with knowledge, experience and opinions on the problem through, interview guides

3.6.3 Pilot Testing of Research Instruments

The pilot test was conducted to assess the usability of the questionnaires, interview guides and data collection processes with the aim of determining the response rate for participants.

The pilot study was conducted in a commercial which had got similar characteristic as the Centenary bank and the instrument was found to be reliable.

3.6.3 Instrument Reliability

Reliability of research instruments is dependable or trustworthiness and in the context of a measuring instrument, it was the degree to which the instrument consistently measures whatever is measuring. The researcher used face to face validity which offered a contrast to content validity which attempts to measure how accurate an experiment present. The researcher pre-tested the research instruments, questionnaires, and interview guide through giving out sample questionnaires and interview guides to the unit managers at Centenary bank head office. This enabled the researcher to meet the need for making the research instruments reliable.

3.6.4 Instrument Validity

The data collection instruments including questionnaires and interview guides contained information intended to collect responses to the research questions and hypotheses. The questions were structured in such a way as not to offend the respondents and targeted the objective response of the participants to the problem under study. The instruments were disseminated to the participants by way of email or delivery by post in order to avoid direct contact to reduce the possibility of the spread of the Covid-19. Instrument was then validated by experts in the field and the university supervisor.

3.6.5 Data Collection Procedure

Primary data was obtained through self-administration of a structured questionnaire. The questionnaire enabled the researcher to be able to gather structured information from the respondents. This method was adopted for its convenience in data analysis due to the structured information the researcher needed to answer the research questions. The drop-and-pick method was used to administer the questionnaire. Permission was sought from the

management of the banks by the researcher to carry out the research. ANU also gave the researcher a letter of introduction showing that she was a student at the institution and was conducting the research.

3.7 Data Analysis

Data was collected, coded, cleaned to cross check if their questionnaires which were not filled. Data was analyzed using SPSS version 25 and presented using tables.

Descriptive results included frequencies, percentage, mean, and composite mean and over role standard deviation.

The study ran an analysis using linear regression formula and correlate the independent variables with dependent variable which are interest rates, inflation, exchange rates movements and financial performance of Centenary bank.

3.8 Legal and Ethical Considerations

The study took all ethical considerations into account during the course of conducting the research for this study. Due regard was accorded to the consent of the respondents to participate in this study. To achieve this, each participant was requested in writing to participate in the study.

Furthermore, all information obtained from the respondents was kept confidential and shall not be disseminated, communicated or divulged to any other person without the unequivocal permission of the respondent. This is aimed at protecting the privacy of and identity of the respondents who do not want their identity to be revealed. Therefore, all documents and recorded information were safely locked in a safe file cabinet and all electronic data was securely backed to a google drive and secured with a strong password. Lastly, the authors of information used in this study from secondary sources were acknowledged and cited to avoid plagiarism and to ensure that this study was premised on original findings.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATIONS, INTERPRETATIONS AND DISCUSSIONS

4.1 Introduction

The approaches used in analyzing and presenting study findings are discussed in this chapter. The questionnaires that addressed each research goal were examined individually. To ensure that the study findings were reliable and contributed to the formation of the research issue, both quantitative and qualitative methodologies were used. The data was analyzed and presented while the summary of the findings and conclusions were drawn from it.

4.2 Questionnaire Return Rate

This study administered 201 questionnaires out of which only 180 were fully filled and returned whereas 21 were not returned by the respondents. Interview guide was conducted to the senior officers. The response rate was 89.6% which according to Kothari (2004) any response of 50% and above is satisfactory for analysis thus 89.6% was excellent. The response rate is shown in Table 4.1

Table 4. 1: Questionnaire return rate

Responses	Frequency	Percent
Filled questionnaires	180	89.6
Unfilled questionnaires	21	10.4
Total	**201**	**100**

4.2.1 Financial performance in Centenary bank head office Uganda.

One of the demographic characteristics that the study investigated was on gender distribution comprising 25 officers from CEO/HR offices, Line managers 50, department heads who were 36 and 309 customers in the Bank. This was to establish the Influence of exchange rate movements on financial performance in Centenary bank head office Uganda. To fulfill this,

the respondents were requested to indicate their gender and the results are presented in Table 4.2

Table 4. 2. Distribution of Respondents by gender

Category	Value	Frequency	Percent
	M ale	88	48.9
	Female	92	51.1
	Total	**180**	**100**

The data analysis results indicated in Table 4.2 above show that 92 (51.1%) of the respondents were female while 88 (48.9%) were male. This shows that a large number of study respondents were involved in exchange rate movements on financial performance in Centenary bank head office Uganda. Female were the majority in the current study implying that female where slightly higher than men who are their counter parts and were fully involved in banking industry.

4.2.2 Age bracket of the Respondent

Age bracket is a demographic characteristic that is bound to influence on financial performance in Centenary bank head office Uganda. This was found to be vital in order to get the age of the people working in the bank and services to the customers and how they relate with them.

The findings of the study obtained are indicated in Table 4.3

Table 4. 3. Distribution of Respondents by age bracket

Category	Frequency	Percent
18-25 years	28	15.6
26-39 years	49	27.2
40-45 years	62	34.4
46 and above	41	22.8
Total	**180**	**100**

The study sought to establish age of respondents according to their age groups since it was considered an important factor. The respondents were, therefore, requested to indicate their age groups. The results in Table 4.3 showed that majority of the respondents, 62(34.4%) were between the age 40-45 years. Those who had 26-39 years were 49(27.7%) while 46 and above were 41(22.8%) and lastly 18-25 years were 28(15.6%). Majority of the respondents were of the age bracket 40-45 years. This shows that many had good experience in banking industry hence rendered good services. Based on this information many respondents are in the age bracket of (40-50). This is a very good experience whereby one is very productive in terms of willingness to work hence good results are experienced at the Bank.

Table 4. 4: Distribution of Respondents by their current position in the Bank

Category	Frequency	Percent
Junior manager	43	23.9
Middle managers	74	41.1
Senior managers	63	35.0
Total	**180**	**100**

The study sought to establish the position of respondents according to their positions since it was considered an important factor. The respondents were therefore, requested to indicate their positions in the Bank. The results in Table 4.4 showed that middle managers were the majority respondents, 74(41.1%) followed by senior managers who were 63(35.0%) while 43 (23.9%) were the junior managers in the banking industry. This shows that middle managers took the biggest slot in the banking industry hence rendered good services. Based on this information all managers were very important in the banking sectors due to their inputs

Table 4. 5: Distribution of Respondents by level of education qualification

Category	Frequency	Percent
Primary	28	15.6
Post-primary	43	23.9
Tertiary Institution	40	22.2
Bachelor degree	38	21.1
Masters	31	17.2
Total	**202**	**100**

The study sought to establish the level of education of the people working in the bank and their customers who respondents according to their level of education since it was considered an important factor. The respondents were therefore requested to indicate their level of education since it was vital in the study. The results in Table 4.5 showed that those who had post primary education were the majority respondents, 43(23.9%) followed by tertiary institution holders who were 40(22.2%). However, those who were bachelor degree holders were 38(21.1%). The second lowest level of education was master's holders who were 31(17.2%). Finally primary certificate holders had 28(15.6%) being the last category in the study. This shows post primary holders had the biggest slot in the banking industry hence being more vibrate and with the best skills of convincing the customers. Based on this information those with low level of education were able to reach the common person on the ground and attract more customers in the industry.

Table 4. 6: Distribution of Respondents by duration of working in the bank

Category	Frequency	Percent
Less than 5 years	29	16.1
5- 10 years	49	27.2
11-15 years	55	30.6
Beyond 20 years	47	26.1
Total	**180**	**100**

The study sought to establish the duration the workers have worked in the bank. The respondents were therefore, requested to indicate how long they have worked in the bank so that to find out if they have any experience with the banking systems. The results in Table 4.6 showed, majority of the respondents were 11-15 years 55(30.6%) had worked a longer duration. The second group was 5-10 years 49(27.2%). While the third group of beyond 20 years were 47(26.1%). Finally, those who had worked for less than 5 years 29(16.1%). This shows that those with many working years were the majority hence more experienced more than anybody else. The implication is that they are more skilled hence good performance in the Bank.

4.3 Financial performance in Centenary bank head office Uganda

Using the scale provided, kindly indicate the extent to which you disagree or agree with the following statement as relating to financial Performance in Centenary bank head office in Uganda**.** They are stated in a likert scale of 1-5 where; 1- Strongly disagree (SD), 2- Disagree (D), 3-Neutral (N), 4-Agree (A), 5-Strongly Agree (SA).

Table 4. 7: Financial performance in Centenary bank head office Uganda.
Reduce the font to fit this tables; don't have any hanging or breaking tables!

Statements	SD F %	D F %	N F %	A F %	SA F %	Mean	Std deviation
1.Economic stability of the country influences the profitability and liquidity margins of commercial banks	40 (22.2%)	40 (22.2%)	33 (18.3%)	39 (21.7%)	28 (15.6%)	**2.86**	**1.39**
2. Centenary bank increases its interest rates leading to higher return on loans	24 (13.3%)	44 (24.4%)	33 (18.3%)	43 (23.9%)	36 (20.0%)	**3.13**	**1.34**
3. Centenary bank thrives in a volatile economy as a result of rising interest rate to overall higher profitability	41 (22.8%)	41 (22.8%)	32 (17.8%)	39 (21.7%)	27 (15.0%)	**2.83**	**1.39**
4. Centenary bank Uganda limited protects against the volatility of foreign capital flows	30 (16.7%)	49 (27.2%)	31 (17.2%)	44 (24.4%)	26 (14.4)	**2.93**	**1.32**
5. Centenary bank Uganda limited protects against the exchange rates' instability	23 (12.8%)	41 (22.8%)	36 (20.0%)	39 (21.7%)	41 (22.8%)	**3.19**	**1.35**
6. All the Banks in Uganda compete with one another	28 (15.5%)	48 (26.7%)	27 (15.0%)	37 (20.6%)	40 (22.8%)	**3.07**	**1.41**
Overall composite mean and std Deviation						**3.03**	**1.59**

Statement (1) that '*Economic stability of the country influences the profitability and liquidity margins of commercial banks* "had a mean of 2.86 and a standard deviation of 1.39. This result indicates that out of 180 respondents, 40 (22.2%) strongly disagreed, 40(22.2%) disagreed, 33 (18.3%) were not sure, 113 (39.9%) agreed while 43 (21.7%) strongly agreed. These result show that the line statement mean score of 2.86 was lower than the composite mean of 3.03; the implication of these results to the study is that theeconomic stability of thecountryis not long enough for the needs of the country and hence negatively influencing financial performance in Centenary bank head office Uganda. The line-item standard

deviation of 1.39 lower than the composite standard deviation of 1.59 indicating that there was a convergence opinion among the respondents.

Statement (2) that Centenary bank increases its interest rates leading to higher return on loans had a mean of 3.13 and a standard deviation of 1.34. This result indicates that out of 180 respondents, 24 (13.3%) strongly disagreed, 44(24.4%) disagreed, 33 (18.3%) were not sure, 43 (23.9%) agreed while 36 (20.0%) strongly agreed. These result show that the line statement mean score of 3.13 was higher than the composite means of 3.07; the implication of these results to the study is that Centenary bank increases its interest rates leading to higher return on loans hence positively influencing financial performance in Centenary bank head office Uganda. The line-item standard deviation of 1.34 is lower than the composite standard deviation of 1.39 indicating that there was a convergence opinion among the respondents.

Statement (3) that Centenary bank thrives in a volatile economy as a result of rising interest rate to overall higher profitability had a mean of 2.83 and a standard deviation of 1.39. This result indicates that out of 180 respondents, 41 (22.8%) strongly disagreed, 41(22.8%) disagreed, 32 (17.8%) were not sure, 32 (21.7%) agreed while 27 (15.0%) strongly agreed. These result show that the line statement mean score of 2.83 was lower than the composite means of 3.03; the implication of these results to the study is that Centenary bank thrives in a volatile economy as a result of rising interest rate to overall higher profitability hence negatively influencing financial performance in Centenary bank head office Uganda. The line-item standard deviation of 1.39 is lower than the composite standard deviation of 1.59 indicating that there was a divergence opinion among the respondents.

Statement (4) that Centenary bank Uganda limited protects against the volatility of foreign capital flows had a mean of 2.93 and a standard deviation of 1.32. This result indicates that out of 180 respondents, 30 (16.7%) strongly disagreed, 49(27.2%) disagreed, 31 (17.2%)

were not sure, 44 (24.4%) agreed while 26(14.4%) strongly agreed. These result show that the line statement mean score of 2.93 was lower than the composite means of 3.03, the implication of these results to the study is that Centenary bank Uganda limited protects against the volatility of foreign capital flows hence negatively influencing financial performance in Centenary bank head office Uganda. The line-item standard deviation of 1.32 is lower than the composite standard deviation of 1.59 indicating that there was a divergence opinion among the respondents.

Statement (5) that Centenary bank Uganda limited protects against the exchange rates' instability had a mean of 3.19 and a standard deviation of 1.35. This result indicates that out of 180 respondents, 23(12.8%) strongly disagreed, 41(22.8%) disagreed, 36(20.0%) were not sure, 36(20.0%) agreed while 41(22.8%) strongly agreed. These result show that the line statement mean score of 3.19 was higher than the composite mean of 3.03, the implication of these results to the study is that Centenary bank Uganda limited protects against the volatility of foreign capital flows hence positively influencing financial performance in Centenary bank head office Uganda. The line-item standard deviation of 1.35 is lower than the composite standard deviation of 1.59 indicating that there was a divergence opinion among the respondents.

Statement (6) that Centenary bank Uganda limited protects against the exchange rates' instability had a mean of 3.19 and a standard deviation of 1.35. This result indicates that out of 180 respondents, 23(12.8%) strongly disagreed, 41(22.8%) disagreed, 36(20.0%) were not sure, 36(20.0%) agreed while 41(22.8%) strongly agreed. These result show that the line statement mean score of 3.19 was higher than the composite mean of 3.03, the implication of these results to the study is that Centenary bank Uganda limited protects against the volatility of foreign capital flows hence positively influencing financial performance in Centenary bank head office Uganda. The line item standard deviation of 1.35 is lower than the

composite standard deviation of 1.59 indicating that there was a divergence opinion among the respondents. The study results support findings in line with (Nyorekwa& Odhiambo, 2018) they argued that end result which the government tends to regulate and stabilize the economy by imposing contradictory fiscal and monetary policies and determining interest rates on loans is inevitable. The study does not concur with this statement but has the opinion that performance is determined effectiveness in productivity of the services rendered. According to the statements made by one of the respondents how the banks handles the instability of the exchange rates:

"Centenary bank Uganda limited protects its customers against the exchange rates' instability by giving them advance information"

4.4 Level of economic stability influences financial performance in Centenary bank head office Uganda.

Using the scale provided, kindly indicate extent to which you disagree or agree with the following statement as relating to level of economic stability influences financial performance in Centenary bank head office Uganda**.** They are stated in a likert scale where; 1- Strongly disagree (SD), 2- Disagree (D), 3-Neutral (N), 4-Agree (A), 5-Strongly Agree (SA).

Table 4. 8: Level of economic stability influences financial performance in Centenary bank head office Uganda

Statements	SD F %	D F %	N F %	A F %	SA F %	Mean	Std deviation
1. Balance of trade influences financial performance at centenary bank head office Uganda	36 (20.0%)	46 (25.5%)	30 (16.7%)	40 (22.2%)	28 (15.6%)	**2.88**	**1.37**
2. Inflates rate influence the financial performance at centenary bank head office Uganda	28 (15.6%)	35 (19.4%)	28 (15.6%)	44 (24.4%)	45 (25.0%)	**3,24**	**1.42**
3. The value of the domestic currency influences the financial performance at centenary bank head office	17 (9.4%)	38 (21.1%)	31 (17.2%)	45 (25.0%)	49 (27.2%)	**3.39**	**1.33**
4.Exchange rate movements determine commercial lending rates in Centenary bank	17 (9.4%)	26 (14.4%)	28 (15.6%)	62 (34.4%)	47 (26.1)	**3.53**	**1.27**
5.Economic stability of the country influences the profitability and liquidity margins of commercial banks	15 (8.3%)	51 (28.3%)	36 (20.0%)	41 (22.8%)	37 (20.6%)	**3.19**	**1.28**
6. Centenary bank increases its interest rates leading to higher return on loans	14 (7.8%)	49 (27.2%)	35 (19.4%)	43 (23.9%)	39 (21.7%)	**3.24**	**1.28**
Overall composite mean and std Deviation						**3.29**	**1.51**

Statement (1) balance of trade influences financial performance at centenary bank head office Uganda had a mean of 2.88 and a standard deviation of 1.37. This result indicates that out of 180 respondents, 36(20.0%) strongly disagreed, 46(25.5%) disagreed, 30(16.7%) were not sure, 40(22.2%) agreed while 28(15.6%) strongly agreed. These result show that the line statement mean score of 2.88 was lower than the composite mean of 3.29, the implication of these results to the study is that Centenary bank Uganda limited protects against the volatility of foreign capital flows hence diverging influencing financial performance in Centenary bank head office Uganda. The line item standard deviation of 1.37 is lower than the composite standard deviation of 1.51 indicating that there was a diverging opinion among the respondents.

Statement (2) inflates rate influence the financial performance at centenary bank head office Uganda had a mean of 3.24 and a standard deviation of 1.42. This result indicates that out of 180 respondents, 28(16.6%) strongly disagreed, 35(18.4%) disagreed, 28(15.6%) were not sure, 44(24.2%) agreed while 45(25.0%) strongly agreed. These result show that the line statement mean score of 3.24 was lower than the composite mean of 3.29, the implication of these results to the study is that Centenary bank Uganda limited protects against the volatility of foreign capital flows hence negatively influencing financial performance in Centenary bank head office Uganda. The line item standard deviation of 1.42 is lower than the composite standard deviation of 1.51 indicating that there was a diverging opinion among the respondents.

Statement (3) balance of trade influences financial performance at centenary bank head office Uganda had a mean of 3.39 and a standard deviation of 1.33. This result indicates that out of 180 respondents, 17(9.4%) strongly disagreed, 38(21.1%) disagreed, 31(17.2%) were not sure, 45(25.0%) agreed while 49(27.2%) strongly agreed. These result show that the line statement mean score of 3.39 was higher than the composite mean of 3.29, the implication of

these results to the study is that balance of trade influences financial performance at centenary bank head office Uganda hence diverging influencing financial performance in Centenary bank head office Uganda. The line-item standard deviation of 1.33 is lower than the composite standard deviation of 1.51 indicating that there was a diverging opinion among the respondents.

Statement (4) **e**xchange rate movements determine commercial lending rates in Centenary bank had a mean of 3.53 and a standard deviation of 1.27. This result indicates that out of 180 respondents, 17(9.4%) strongly disagreed, 26(14.4%) disagreed, 28(15.6%) were not sure, 62(34.4%) agreed while 47(26.1%) strongly agreed. This in line with Jefferis, Kasekende, Rubatsimbira, &Ntungire(2020) argue that exchange rate movements are characterized by fluctuation in major commodity prices such as stocks, and investment bonds as well as general depreciation of value of national currency. A combination of these factors correspondingly determines commercial lending rates in commercial banks. These result show that the line statement mean score of 3.53 was higher than the composite means of 3.29, the implication of these results to the study is that **e**xchange rate movements determine commercial lending rates in Centenary bank hence positively influencing financial performance in Centenary bank head office Uganda. The line item standard deviation of 1.37 is lower than the composite standard deviation of 1.51 indicating that there was a diverging opinion among the respondents.

Statement (5) economic stability of the country influences the profitability and liquidity margins of commercial banks had a mean of 3.19 and a standard deviation of 1.28. This result indicates that out of 180 respondents, 15(8.3%) strongly disagreed, 51(28.3%) disagreed, 41(22.8%) were not sure, 41(22.8%) agreed while 37(20.6%) strongly agreed. These result show that the line statement mean score of 3.19 was lower than the composite mean of 3.29, the implication of these results to the study is that economic stability of the

country influences economic stability of the country influences the profitability and liquidity margins of commercial banks hence positively influencing financial performance in Centenary bank head office Uganda. The line item standard deviation of 1.37 is lower than the composite standard deviation of 1.28 indicating that there was a converging opinion among the respondents.

Statement (6) Centenary bank increases its interest rates leading to higher return on loans had a mean of 3.24 and a standard deviation of 1.28. This result indicates that out of 180 respondents, 14(7.8%) strongly disagreed, 49(27.2%) disagreed, 35(19.4%) were not sure, 43(23.9%) agreed while 39(21.7%) strongly agreed. These result show that the line statement mean score of 3.24 was lower than the composite mean of 3.29, the implication of these results to the study is that Centenary bank increases its interest rates leading to higher return on loans hence diverging influencing financial performance in Centenary bank head office Uganda. The line-item standard deviation of 1.28 is lower than the composite standard deviation of 1.51 indicating that there was a diverging opinion among the respondents. The study results support findings as posited by Moyo&Tursoy (2020) in their argument from an investigation of the profit and liquidity trajectory of Standard bank. This is a statement made by one of the respondents how the banks handle the level of economic stability:

"According to one of the respondents the argument was that the level of economic stability influences financial performance in Centenary bank head office Uganda"

4.4.1 Correlation analysis of level of economic stability and financial performance

The study sought to examine the relationship between level of economic stability and financial performance. Pearson correlation coefficient was run on the scores of each scale. The total scores of the scales were computed as a summation of the individual scores on each item by the respondent at 95% level of confidence. The correlation analysis results obtained are shown in Table 4.9.

Table 4. 9: Correlation analysis level of economic stability and financial performance

Variable	Statistics	Financial Performance
Economic stability	Pearson correlation	0 .096*
	Sig.(2-tailed)	0.000
	N	180

(n=180); *Correlation is significant at 0.05 level (2-tailed)

The study found a positive overall correlation(r=0.096) which was statistically significant as (P-value=0.000 <0.05); implying that there is a significant relationship between level of economic stability and financial performance in Centenary bank head office Uganda, leading to rejection of the null hypothesis (H_0 : There is no significant relationship between economic stability and financial performance in Centenary bank head office Uganda and acceptance of the alternative hypothesis; (Ha: There is a significant relationship between economic stability and financial performance in Centenary bank head office Uganda), hence the research results conclude that there is a significant relationship between economic stability and financial performance in Centenary bank head office Uganda.

4.4.2. Regression Analysis of level of economic stability influence financial performance in Centenary bank

Simple linear regression was adopted to investigate how economic stability influence financial performance. It was necessary to get the views of the respondents on the influence of economic stability influence financial performance. The rationale of using the simple regression model was to establish how economic stability as a predictor significantly or insignificantly influenced financial performance.

4.4.3 Model summary of level of economic stability influence financial performance in Centenary bank

The model summary sought to determine how economic stability as a predictor significantly or insignificantly influenced financial performance. The regression model summary results are presented in Table 4.9.

Table 4. 10: Regression Model Summary table of economic stability and financial performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.306[a]	0.093	0.088	1.285

a. Predictors: (Constant), inflate rates influence financial performance at centenary bank head office Uganda

The model summary in Table 4.10 suggest that there is a positive correlation(R=0.306) between economic stability and financial performance and those predicted by the regression model. In addition, 30.6% of the variation in financial performance is explained by economic stability. The study results support finding by Farouche, (2018) who found out that variations in exchange rates are determined by economic stability of the country which influence the profitability and liquidity margins of commercial banks which creates a critical link between the two concepts.

4.4.4. ANOVA of economic stability and financial performance

The study sought to establish if the regression model is best fit for predicting economic stability and financial performance. The ANOVA results are presented in Table 4.11.

Table 4. 11: ANOVA of Regression of economic stability and financial performance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	30.276	1	30.276	18.344	0.000[b]
	Residual	293.785	178	1.650		
	Total	324.061	179			

a. Dependent Variable financial performance at centenary bank

b. Predictors: (Constant), Centenary bank increases interest rate leading higher return on loans

The ANOVA results from Table 4.11 indicated that (F-statistics (18,344) =325.061is significant since the P -value 0.000< 0.05 implying that the predictor co-efficient is at least not equal to zero, and hence the regression model results in significantly better prediction of economic level. The results are consistent with the findings of a study by of (Khisa, 2021) who established that a supportive banks improved interest rates and money leading to improved financial performance.

4.4.5. Coefficients for regression of economic stability and financial performance

Centenary bank

The study sought to establish whether economic stability on financial performance has a correlation**.** The regression coefficients results are presented in Table 4.12.

Table 4. 12: Coefficients for Regression economic stability and financial performance Centenary bank

Coefficients						
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**T**	**Sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	0.811	0.103		2.661	0.000
	Economic stability	0.673	0.037	0.423	18.322	0.000

a. Dependent Variable: Financial performance Centenary bank

The simple linear regression coefficients result from Table 4.12 indicated that there was significant influence of level of economic stability on financial performance in Centenary bank. The coefficient of the constant term ($\beta 0 = 0.811$; P-value=0.000 < 0.05) and economic stability ($\beta 1 = 0.673$; P-value=0.000 < 0.05) were statistically significant. The regression model for level of economic stability was $y=0.811 + 0.673X1$ implying that for each unit of level of economic stability marginally changed by 0.673 units other predictors held constant. It was therefore concluded that economic stability on financial performance in Centenary bank were positively and linearly related.

4.5: Monetary policies influence financial performance in Centenary bank Head office Uganda.

Using the scale provided, kindly indicate extent to which you disagree or agree with the following statement as relating to monetary policies financial Performance in Centenary bank head office in Uganda**.** They are stated in a likert scale where; 1- Strongly disagree (SD), 2-Disagree (D), 3-Neutral (N), 4-Agree (A), 5-Strongly Agree (SA).

Table 4. 13: Monetary policies influence financial performance in Centenary bank Head office Uganda

Statements	SD F %	D F %	N F %	A F %	SA F %	Mean	Std deviation
1. The potential for profitability of Centenary bank is determined by political forces, fiscal policies.	30 (16.7%)	49 (27.2%)	28 (15.6%)	42 (23.3%)	31 (17.2%)	**2.97**	**1.36**
2. Monetary policies such as trade tariffs and quotas keep the exchange rates lower to increase the purchasing power of the currency	35 (19.4%)	40 (22.2%)	29 (16.1%)	41 (22.8%)	35 (19.4%)	**3.01**	**1.42**
3. Centenary bank can be able to anticipate future inflation and adjust interest rate to generate higher revenue.	17 (9.4%)	34 (18.9%)	41 (22.8%)	52 (28.9%)	36 (20.0%)	**3.31**	**1.25**
4. Central bank often passes fixed rate interests to stabilize the economy and exchange rates	27 (15.0%)	34 (18.9%)	43 (23.9%)	40 (22.2%)	36 (20.0%)	**3.13**	**1.34**
5. Monetary policy helps to control the financial performance indicators of commercial banks.	33 (18.3%)	37 (20.6%)	28 (15.6%)	52 (28.9%)	30 (16.7%)	**3.05**	**1.37**
6. The volume of Centenary bank lending and profitability decreases as core inflation rises with adequate monetary policy controls.	28 (15.6%)	36 (20.0%)	46 (25.6%)	35 (19.4%)	35 (19.4%)	**3.07**	**1.34**
Overall composite mean and std Deviation						**3.10**	**1.58**

Statement (1) the potential for profitability of Centenary bank is determined by political forces, fiscal policies had a mean of 2.97 and a standard deviation of 1.36. This result indicates that out of 180 respondents, 14(7.8%) strongly disagreed, 49(27.2%) disagreed, 35(19.4%) were not sure, 43(23.9%) agreed while 39(21.7%) strongly agreed. This is similar to a study by Keita & Camelia (2019) look at the potential for profitability of Centenary bank from the view point of political forces, fiscal policies and institutions in the country. They front the argument that governments manipulate the economy with macroeconomic policies in order to front their political and economic ambitions; as well as to generally stabilize the economy. These result show that the line statement mean score of 2.97 was lower than the composite mean of 3.10, the implication of these results to the study is that potential for profitability of Centenary bank is determined by political forces, fiscal policies hence diverging influencing financial performance in Centenary bank head office Uganda. The line item standard deviation of 1.38 is lower than the composite standard deviation of 1.58 indicating that there was a diverging opinion among the respondents.

Statement (2) monetary policies such as trade tariffs and quotas keep the exchange rates lower to increase the purchasing power of the currency had a mean of 3.01 and a standard deviation of 1.42. This result indicates that out of 180 respondents, 35(19.4%) strongly disagreed, 422.2%) disagreed, 29(16.1%) were not sure, 41(22.8%) agreed while 35(19.4%) strongly agreed. These result show that the line statement mean score of 3.01 was lower than the composite means of 3.10, the implication of these results to the study is that monetary policies such as trade tariffs and quotas keep the exchange rates lower to increase the purchasing power of the currency hence negatively influencing financial performance in Centenary bank head office Uganda. The line-item standard deviation of 1.42 is lower than

the composite standard deviation of 1.58 indicating that there was a diverging opinion among the respondents.

Statement (3) the Centenary bank can be able to anticipate future inflation and adjust interest rate to generate higher revenue had a mean of 2.97 and a standard deviation of 1.36. This result indicates that out of 180 respondents, 17(9.4%) strongly disagreed, 34(18.9%) disagreed, 41(22.8%) were not sure, 52(28.9%) agreed while 36(20.0%) strongly agreed. These result show that the line statement mean score of 3.31 is higher than the composite means of 3.10, the implication of these results to the study is that Centenary bank can be able to anticipate future inflation and adjust interest rate to generate higher revenue hence positively influencing financial performance in Centenary bank head office Uganda. The line item standard deviation of 1.25 is lower than the composite standard deviation of 1.58 indicating that there was a diverging opinion among the respondents.

Statement (4) the Central bank often passes fixed rate interests to stabilize the economy and exchange rateshad a mean of 3.11 and a standard deviation of 1.34. This result indicates that out of 180 respondents, 27(15.0%) strongly disagreed, 34(18.9%) disagreed, 43(23.9%) were not sure, 40(22.2%) agreed while 36(20.0%) strongly agreed this is in agreement with A study by Najjemba (2019), however, showed that the central bank often passes fixed rate interests as Uganda's currency value fluctuates to stabilize the economy and exchange rates which lead to higher interest on borrowing. These result show that the line statement mean score of 3.13 was higher than the composite mean of 3.10, the implication of these results to the study is that potential for profitability of Centenary bank is determined by political forces, fiscal policies hence diverging influencing financial performance in Centenary bank head office Uganda. The line item standard deviation of 1.34 is lower than the composite standard deviation of 1.58 indicating that there was a diverging opinion among the respondents.

Statement (5) the monetary policy helps to control the financial performance indicators of commercial banks had a mean of 3.05 and a standard deviation of 1.37. This result indicates that out of 180 respondents, 33(18.3%) strongly disagreed, 37(20.6%) disagreed, 28(15.6%) were not sure, 52(28.9%) agreed while 30(16.7%) strongly agreed. These result show that the line statement mean score of 3.05 was lower than the composite mean of 3.10, the implication of these results to the study is that potential for profitability of monetary policy helps to control the financial performance indicators of commercial banks hence diverging influencing financial performance in Centenary bank head office Uganda. The line item standard deviation of 1.37 is lower than the composite standard deviation of 1.58 indicating that there was a diverging opinion among the respondents.

Statement (6) the volume of Centenary bank lending and profitability decreases as core inflation rises with adequate monetary policy controls had a mean of 3.07 and a standard deviation of 1.34. This result indicates that out of 180 respondents, 28(15.6%) strongly disagreed, 36(20.0%) disagreed, 46(25.6%) were not sure, 35(19.4%) agreed while 35(19.4%) strongly agreed. These result show that the line statement mean score of 3.07 was lower than the composite mean of 3.10, the implication of these results to the study is that volume of Centenary bank lending and profitability decreases as core inflation rises with adequate monetary policy controls hence diverging influencing financial performance in Centenary bank head office Uganda. The line item standard deviation of 1.34 is lower than the composite standard deviation of 1.58 indicating that there was a diverging opinion among the respondents. The study results support findings by Kamanyire (2018) on Centenary Bank Uganda Limited shows that the interest rates of Centenary bank are approved by the central bank monetary policies on flat rates depending on the inflation caused by exchange rate movements add the leading qualitative question to this response.. from your tool; see comments

"*One respondent had this on monetary policies that influence financial performance in Centenary bank Head office Uganda where by increasing the customer satisfaction*"

4.5.1 Correlation analysis of monetary policies and financial performance

The study sought to examine the relationship between monetary policies and financial performance. Pearson correlation coefficient was run on the scores of each scale. The total scores of the scales were computed as a summation of the individual scores on each item by the respondent at 95% level of confidence. The correlation analysis results obtained are shown in Table 4.14.

Table 4. 14: Correlation analysis level of monetary policies and financial performance

Variable	Statistics	Financial performance
Monitory policies	Pearson correlation	0 .655*
	Sig.(2-tailed)	0.000
	N	180

(n=180); *Correlation is significant at 0.05 level (2-tailed)

The study found a positive overall correlation(r=0.655) which was statistically significant as (P-value=0.000 <0.05); implying that there is a significant relationship between monetary policies and financial performance in Centenary bank head office Uganda, leading to rejection of the null hypothesis (H_0 : There is no significant relationship between monetary policies and financial performance in Centenary bank head office Uganda) and acceptance of the alternative hypothesis; (Ha: There is a significant relationship between monetary policies and financial performance in Centenary bank head office Uganda), hence the research results conclude that there is a significant relationship between monetary policies and financial performance in Centenary bank head office Uganda.

4.5.2. Regression Analysis of monetary policies and financial performance in Centenary bank head office Uganda.

Simple linear regression was adopted to investigate how monetary policies and financial performance. It was necessary to get the views of the respondents on the influence of monetary policies and financial performance. The rationale of using the simple regression model was to establish how monetary policies as a predictor significantly or insignificantly influenced financial performance in Centenary bank head office Uganda.

4.5.3. Model summary of monetary policies and financial performance

The model summary sought to determine how monetary policies as a predictor significantly or insignificantly influenced financial performance in Centenary bank. The regression model summary results are presented in Table 4.15

Table 4. 15: Regression Model Summary table of monetary policies and financial performance

Model Summary of monetary policies and financial performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.072[a]	0.045	0.000	1.281

a. Predictors:(Constant), monetary policies help control the financial performance indicators at the bank

The model summary Table 4.15 suggest that there is a positive correlation(R=0.072) between monetary policies and financial performance and those predicted by the regression model.

4.4.4. ANOVA of monetary policies and financial performance

The study sought to establish if the regression model is best fit for predicting monetary policies and financial performance. The ANOVA results are presented in Table 4.13.

Table 4. 16: ANOVA of Regression of monetary policies and financial performance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.513	1	1.513	0.922	0.338
	Residual	292.065	178	1.641		
	Total	293.578	179			

a. Dependent Variable financial performance at centenary bank

b. Predictors: (Constant), Centenary bank increases interest rate leading higher return on loans

The ANOVA results from Table 4.16 indicated that (F-statistics (0.922) =293.578 is significant since the P -value 0.338< 0.05 implying that the predictor co-efficient is at least not equal to zero, and hence the regression model results in significantly better prediction of financial performance.

4.4.5. Coefficients for regression of monetary policies and financial performance

The study sought to establish whether there was influence of monetary policies on financial performance. The regression coefficients results are presented in Table 4.17.

Table 4. 17: Coefficients for Regression of monetary policies and financial performance

Coefficients						
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**T**	**Sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	1.718	0.104		2.661	0.000
	Monetary policies	1.56	0.039	0.423	18.322	0.000

a. **Dependent Variable**: **financial performance**

The simple linear regression coefficients result from Table 4.17 indicated that there was significant influence of monetary policies on financial performance. The coefficient of the constant term ($\beta 0 = 1.718$; P-value=0.000 < 0.05) and monetary policies ($\beta 1 = 1.56$; P-value=0.000 < 0.05) were statistically significant. The regression model for monetary policies was y=1.718+ 1.56X1 implying that for each unit of monetary policies, financial performance marginally changed by 1.56 units other predictors held constant. It was therefore concluded that monetary policies and financial performance were positively and linearly related.

4.6 International trade competitiveness influences performance in Centenary Bank

Using the scale provided, kindly indicate extent to which you disagree or agree with the following statement as relating to international trade on financial Performance in Centenary bank head office in Uganda**.** They are stated in a likert scale of 1-5, where; 1- Strongly disagree (SD), 2- Disagree (D), 3-Neutral (N), 4-Agree (A), 5-Strongly Agree (SA).

Table 4. 18: International trade competitiveness influences performance in Centenary bank head office Uganda. Reduce fonts and margins ; don't have hanging tables

Statements	SD F %	D F %	N F %	A F %	SA F %	Mean	Std deviation
1. Strength of the domestic currency influences the financial performance of Centenary bank head office	22 (12.2%)	30 (16.7%)	33 (18.3%)	55 (30.6%)	40 (22.2%)	**3.34**	**1.32**
2.International competition of currencies reflects the efficiency in production, quality service provision and profitability of Centenary bank Uganda limited bank	29 (16.1%)	44 (24.4%)	37 (20.6%)	36 (20.0%)	34 (18.9%)	**3.01**	**1.36**
3.Level of international competitiveness of currencies can determined by the growth of a dominant currency	24 (13.3%)	44 (24.4%)	35 (19.4%)	43 (23.9%)	34 (18.9%)	**3.11**	**1.33**
4.Dominant currencies affect the level of exchange fluctuations of other currencies	30 (16.7%)	31 (17.2%)	37 (20.6%)	50 (27.8%)	32 (17.8%)	**3.13**	**1.35**
5. Centenary bank Uganda limited chooses to or not to trade and invest in a given currency depending on the weight of the return on assets to be gained	17 (9.4%)	32 (17.8%)	41 (22.8%)	56 (31.1%)	34 (18.9%)	**3.32**	**1.23**
6. Centenary bank prefers to trade in foreign currency as opposed to their domestic currency.	26 (14.4%)	39 (21.7%)	40 (22.2%)	38 (21.1%)	37 (20.6%)	**3.12**	**1.35**
Overall composite mean and std Deviation						**3.16**	**1.53**

Statement (1) the strength of the domestic currency influences the financial performance of Centenary bank head office had a mean of 3.34 and a standard deviation of 1.32. This result indicates that out of 180 respondents, 22(12.2%) strongly disagreed, 30(16.7%) disagreed, 33(18.3%) were not sure, 55(30.6%) agreed while 40(22.2%) strongly agreed. These result show that the line statement mean score of 3.34 was higher than the composite mean of 3.16, the implication of these results to the study is that strength of the domestic currency

influences the financial performance of Centenary bank head office hence diverging influencing financial performance in Centenary bank head office Uganda. The line item standard deviation of 1.32 is lower than the composite standard deviation of 1.53 indicating that there was a diverging opinion among the respondents.

Statement (2) the International competition of currencies reflects the efficiency in production, quality service provision and profitability of Centenary bank Uganda limited bank had a mean of 3.01 and a standard deviation of 1.36. This result indicates that out of 180 respondents, 29(16.1%) strongly disagreed, 44 (24.2%) disagreed, 37(20.6%) were not sure, 36(20.0%) agreed while 34(18.9%) strongly agreed. These result show that the line statement mean score of 3.01 was higher than the composite mean of 3.16, the implication of these results to the study is that International competition of currencies reflects the efficiency in production, quality service provision and profitability influences the financial performance of Centenary bank head office negatively hence diverging influencing financial performance in Centenary bank head office Uganda. The line item standard deviation of 1.36 is lower than the composite standard deviation of 1.53 indicating that there was a diverging opinion among the respondents.

Statement (3) the level of international competitiveness of currencies can determined by the growth of a dominant currency had a mean of 3.11 and a standard deviation of 1.33. This result indicates that out of 180 respondents, 24(13.3%) strongly disagreed, 44(24.4%) disagreed, 35(19.4%) were not sure, 43(23.9%) agreed while 34(18.9%) strongly agreed. These result show that the line statement mean score of 3.11 was lower than the composite mean of 3.16, the implication of these results to the study is that level of international competitiveness of currencies can be determined by the growth of a dominant currency influencing financial performance of Centenary bank head office hence diverging influencing financial performance in Centenary bank head office Uganda. The line item standard

deviation of 1.33 is lower than the composite standard deviation of 1.53 indicating that there was a diverging opinion among the respondents.

Statement (4) the dominant currencies affect the level of exchange fluctuations of other currencies had a mean of 3.13 and a standard deviation of 1.35. This result indicates that out of 180 respondents, 30(16.7%) strongly disagreed, 31(17.2%) disagreed, 37(20.6%) were not sure, 50(27.8%) agreed while 32(17.8%) strongly agreed. This is line with Egilsson(2020) espouses that while the dominant currencies such as the USD and GBP obviously affect the level of exchange fluctuations and economies of other currencies, they are not exceptions to the operation of price relativity and interest differentials which determine their exchange rates. These result show that the line statement mean score of 3.13 was higher than the composite mean of 3.16, the implication of these results to the study is that dominant currencies affect the level of exchange fluctuations of other currencies hence diverging influencing financial performance in Centenary bank head office Uganda. The line item standard deviation of 1.35 is lower than the composite standard deviation of 1.53 indicating that there was a diverging opinion among the respondents.

Statement (5) the Centenary bank Uganda limited chooses to or not to trade and invest in a given currency depending on the weight of the return on assets to be gained had a mean of 3.32 and a standard deviation of 1.23. this is silimar with a study with Purwono (2020) illustrates this notion using the health of the Malaysian, Indonesian and Thai banking systems. In his study, he found that commercial banks especially in developing nations will often choose whether or not to trade and invest in a given currency depending on the weight of the return on assets to be gained from such investment. This seems to suggest that the common reaction of commercial banks to exchange rate movements is hinged on the gravity in the effect of the variations to the banks' liquidity and profitability margins. This result indicates that out of 180 respondents, 17(9.4%) strongly disagreed, 32(17.8%) disagreed,

41(22.8%) were not sure, 56(31.1%) agreed while 34(18.9%) strongly agreed. These result show that the line statement mean score of 3.32 was higher than the composite mean of 3.16, the implication of these results to the study is that Centenary bank Uganda limited chooses to or not to trade and invest in a given currency depending on the weight of the return on assets to be gained hence diverging influencing financial performance in Centenary bank head office Uganda. The line item standard deviation of 1.23 is lower than the composite standard deviation of 1.53 indicating that there was a diverging opinion among the respondents.

Statement (6) the Centenary bank prefers to trade in foreign currency as opposed to their domestic currency had a mean of 3.12 and a standard deviation of 1.35. This result indicates that out of 180 respondents, 26(14.4%) strongly disagreed, 39(21.7%) disagreed, 40(22.2%) were not sure, 38(21.1%) agreed while 37(20.6%) strongly agreed. This in agreement with Podpiera&Čihák (2018) argue that most commercial banks in East Africa will prefer to trade in foreign currency such as the United States Dollar, Euro and Great Britain Pound as opposed to their domestic currency during exchange rate fluctuations caused by inflation. These result show that the line statement mean score of 3.34 was higher than the composite mean of 3.16, the implication of these results to the study is that strength of the domestic currency influences the financial performance of Centenary bank head office hence diverging influencing financial performance in Centenary bank head office Uganda. The line item standard deviation of 1.32 is lower than the composite standard deviation of 1.53 indicating that there was a diverging opinion among the respondents. The study results support findings Adam, Kessy, Kombe& O'Connell (2017) who suggested that the level of international competitiveness of currencies could be determined when a country subjects its currency value to be determined by the growth of a dominant currency what question lead to this qualitative answer??

"One of the respondents had this to say that international trade competitiveness influences financial performance in Centenary bank head office in Uganda".

Table 4. 19: Correlation analysis of international trade and financial performance in Centenary bank

Variable	Statistics	Financial performance
Organizational structure for M&E	Pearson correlation	0 .642*
	Sig.(2-tailed)	0.000
	N	180

(n=180); *Correlation is significant at 0.05 level (2-tailed)

The study found a positive overall correlation(r=0.642) which was statistically significant as (P-value=0.000 <0.05); implying that there is a significant relationship between international trade and financial performance in Centenary bank, leading to rejection of the null hypothesis (H_0 : There is no significant relationship between international trade and financial performance in Centenary bank head office in Uganda and acceptance of the alternative hypothesis; (Ha: There is a significant relationship between international trade and financial performance in Centenary bank head office in Uganda), and hence the research results conclude that there is a significant relationship between international trade and financial performance in Centenary bank head office in Uganda.

4.6.1. Regression Analysis of international trade and financial performance in Centenary bank

Simple linear regression was adopted to investigate how of international trade influences financial performance in Centenary bank. It was necessary to get the views of the respondents on the influence of international trade influences financial performance in Centenary bank. The rationale of using the simple regression model was to establish how

international trade as a predictor significantly or insignificantly influenced financial performance in Centenary bank.

4.6.2.1 Model summary of international trade and financial performance in Centenary bank

The model summary sought to determine how international trade as a predictor significantly or insignificantly influenced financial performance in Centenary bank. The regression model summary results are presented in Table 4.20.

Table 4. 20: Regression Model Summary table of financial performance in Centenary bank

Model Summary Regression Model Summary table of financial performance in Centenary bank

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.174[a]	0.030	0.025	1.362

a. Predictors: (Constant), Centenary bank prefers to trade in foreign currency as opposed to their domestic currency

The model summary Table 4.20 suggest that there is a positive correlation(R=0.174) between international trade and financial performance in Centenary bank and those predicted by the regression model.

4.6.2. ANOVA of international trade and financial performance in Centenary bank

The study sought to establish if the regression model is best fit for predicting financial performance in Centenary bank on international trade. The ANOVA results are presented in Table 4.21.

Table 4. 21: ANOVA of Regression of international trade and financial performance in Centenary bank

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	10.319	1	10.319	5.562	0.019[b]
	Residual	330.231	178	1.855		
	Total	340.550	179			

a. Dependent Variable financial performance

b. Predictor (Constant), International trade competitiveness

The ANOVA results from Table 4.21 indicated that (F-statistics (1,478) =5.562 is significant since the P -value 0.019< 0.05 implying that the predictor co-efficient is at least not equal to zero, and hence the regression model results in significantly better prediction of international trade.

4.6.3 Coefficients for regression of international trade and financial performance in Centenary bank

The study sought to establish whether there was influence of international trade and financial performance in Centenary bank**.** The regression coefficients results are presented in Table 4.22.

Table 4.22: Coefficients for Regression of international trade and financial performance in Centenary bank

Coefficients						
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**T**	**Sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	2.666	0.103		7.874	0.000
	International trade	0.246	0.037	0.052	18.322	0.000

a. Dependent Variable: Financial performance in Centenary bank

The simple linear regression coefficients result from Table 4.22 indicated that there was significant influence of international trade and financial performance in Centenary bank. The coefficient of the constant term ($\beta 0 = 2.666$; P-value=0.000 < 0.05) and international trade ($\beta 3 = 0.246$; P-value=0.000 < 0.05) were statistically significant. The regression model for international trade was $y=2.666 + 0.246X1$ implying that for each unit of international trade, financial performance marginally changed by 0.246 units other predictors held constant. It was therefore concluded that international trade and financial performance in Centenary bank were positively and linearly related. The study results demonstrate a significant relationship between international trade and financial performance in Centenary bank

CHAPTER FIVE

DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary of findings, conclusions, and recommendations. In the summary of findings, the results for each of the hypothesis in the study is presented for the three research objectives. The conclusions presented in this section were guided by the research objectives and informed by the findings, analysis, interpretation, and discussions in the study. Based on the conclusions made, the contribution of the study to knowledge is examined. Recommendations based on the results for policy and practice, methodology and suggestions for further research are made.

5.2. Discussions of findings

This section summarizes the discussions of the study.

5.2.1. Economic stability and financial performance

The first research objective was to establish the extent to which level of economic stability influences financial performance in Centenary bank head office Uganda. The composite means and composite Standard deviation for level of economic stability were 3.29 and 1.51 respectively; implying that using the Likert scale, the respondents were neutral that level of economic stability influence financial performance in Centenary bank head office Uganda. The overall correlation coefficient for level of economic stability influence financial performance in Centenary was found to be 0.673 with a p-value of 0.000 < 0.05 implying that there was a significant relationship between level of economic stability influence financial performance in Centenary. The ANOVA results indicated that the regression model for economic stability was significantly better prediction of economic stability(18,344) =325.061 is significant since the P -value 0.000< 0.05). The simple linear regression coefficients result indicated that the test of $\beta_{1=}0.673$ (coefficient of economic stability)

statistics revealed that there was sufficient evidence that economic stability was linearly related to financial performance in Centenary Bank.

The results from the interview guide were of mixed reaction. The results were discussed according to the respondents in each statement made by them.

5.2.2. Monetary policies influence financial performance in Centenary bank Head office Uganda.

The second research objective was to examine how monetary policies influence financial performance in Centenary bank. Head office Uganda. The composite mean and composite Standard deviation for level of economic stability were 3.10 and 1.58 respectively; implying that using the Likert scale, the respondents were moderate that monetary policies influence financial performance in Centenary bank Head office Uganda. The overall correlation for monetary policies influences financial performance in Centenary was found to be 0.655 with a p-value of 0.000 < 0.05 implying that there was a significant relationship between monetary policies and financial performance in Centenary. The ANOVA results indicated that the regression model for economic stability was significantly better prediction financial performance (F-statistics (0.922) =293.578 is significant since the P -value 0.338< 0.05). The simple linear regression coefficients result indicated that the test of $\beta_{2=}0.156$ (coefficient of monetary policies) statistics revealed that there was sufficient evidence that monetary policies was linearly related to financial performance in Centenary Bank.

The results from the interview guide were of mixed reaction. The results were discussed according to the respondents in each statement made by them and indicated that the monetary policies were well formulated however more research should be carried out in order to get full information about the exchange rates services.

5.2.3. International trade influence financial performance in Centenary bank Head office Uganda.

The third research objective was to determine how international trade competitiveness influences financial performance in Centenary bank head office Uganda. The composite mean and composite Standard deviation for level of economic stability were 3.16 and 1.53 respectively; implying that using the Likert scale, the respondents were neutral that international trade influence financial performance in Centenary bank Head office Uganda. The overall correlation coefficient for international trade influence financial performance in Centenary was found to be 0.655 with a p-value of 0.000 < 0.05 implying that there was a significant relationship between international trade and financial performance in Centenary. The ANOVA results indicated that the regression model for economic stability was significantly better prediction of financial performance (F-statistics (1,478) =5.562 is significant since the P -value 0.019< 0.05). The simple linear regression coefficients result indicated that (coefficient of international trade) statistics revealed that there was sufficient evidence that international trade was linearly related to financial performance in Centenary Bank.

The results from the interview guide were of mixed reaction. The results were discussed according to the respondents in each statement made by them indicated that international trade influenced financial performance greatly.

5.3 Conclusions

The first research objective was to establish the extent to which level of economic stability influences financial performance in Centenary bank head office Uganda. The simple linear regression coefficients as well as the Pearson correlation results indicated that there was significant influence of level of economic stability influences financial performance in Centenary bank head office Uganda. The p-values less than the set threshold of significance;

implied that there was a significant influence of level of economic stability influences financial performance in Centenary bank. However, some of the results from the interview guides were contrary to the quantitative findings. The mixed results point to varying levels of how the banks were economically influencing the standards of people in the country. This was as a result of many getting loans and increasing their livelihoods.

The second research objective was to examine how monetary policies influence financial performance in Centenary bank. The simple linear regression coefficients as well as the Pearson correlation results indicated that there was significant influence of monetary policies on financial performance in Centenary bank. The p-values less than the set threshold of significance; implied that there was a significant influence of monetary policies on financial performance in Centenary bank. The views expressed to the contrary during the interview guide pointing to low level of customers being involved in policy formulation hence many having no idea what they entail. This need to be corrected so that many citizens can be aware of their rights when it comes loan repayments,

The third research objective was to determine how international trade competitiveness influences financial performance in Centenary bank head office Uganda. The simple linear regression coefficients as well as the Pearson correlation results indicated that there was significant influence international trade competitiveness influences financial performance in Centenary bank head office Uganda. The p-values less than the set threshold of significance; implied that there was a significant influence of international trade competitiveness influences financial performance in Centenary bank head office Uganda. For the case of the interviews conducted findings revealed that international trade competitiveness influences financial performance in Centenary bank.

5.4 Recommendations

The Ugandan government should streamline the immediate economic environment whereby all commercial banks operate in this country. This measure would curb variances in the deposit and lending rates. Market stabilization of the banking sector would regulate lending and deposit rates thus ensuring that the rates are almost uniform across all banks.

The Central Bank of Uganda ought to implement efficient monetary and fiscal policies so as to help curb significant deficits in balance of payments. The government at large should deploy measures that are aimed at increasing the national income of the country based on investments funded locally. International funding should be limited to small extent so that the domestic currency can be strong in the international money markets.

Banks were observed to be profitable at a time when the economy was bad whereby other sectors were experiencing difficulties in remaining afloat. The banking industry benefits in such times since the interest rate spread and inflation are high. However, the government should put measure to curb the rising of inflation in double digits. Banks

Management in Uganda should adopt hedging strategies so as to mitigate against foreign exchange risks since it affects the performance of the banks in Uganda.

5.5 Suggestions for Further Research

1. The study should be carried out on how to train and educate more citizens on bank interest and profits and how they can benefit them

References

Abuka, C., &Alinda, R. (2019). Monetary policy and bank lending in developing countries: Loan applications, rates, and real effects. *Journal of Development Economics, 139*(2), 185-202.

Adam, C., Kessy, P., Kombe, C., & O'Connell, S. (2017). *Exchange Rate Arrangements in the Transition to East African Monetary Union.* International Growth Centre. Retrieved October 6, 2021, from https://www.theigc.org/wp-content/uploads/2017/02/Adam-Et-Al-2012-Working-Paper.pdf

Andrii, Z. (2021). State, Trends, Challenges and Prospects of the modern Global Foreign Exchange Market. *Journal of Management Information and Decision Sciences, 24*(7), 10.

Anyango, P. (2019). Factors Affecting the Profitability of Commercial Banks in Uganda: A Case Study of Stanbic Bank Uganda. *Masters Thesis*, p. 34.

Awana, C. (2021). Competitiveness and exchange rate regime: The case of the CEMAC zone. *International Journal of Educational Research (IJMCER), 3*(3), 114-127.

Bahmani-Oskooee, M., &Abera, G. (2018). Exchange-rate volatility and international trade performance: Evidence from 12 African Countries. *Journal of Economic Analysis and Policy, 58*, 14-21.

Bernoth, K., &Herwartz, H. (2021). Exchange rates, foreign currency exposure and sovereign risk. *Journal of International Money and Finance, 117*, 101-124.

BoU. (2017). *Compilation Notes for calculation and Reporting of Foreign Exchange Exposures of Banks.* Kampala: Bank of Uganda.

BoU. (2019). *Financial Stability Review, Quarter ended 31st December 2019.* Kampala: Bank of Uganda. Retrieved October 2, 2021, from https://www.bou.or.ug/bou/bouwebsite/bouwebsitecontent/FinancialStability/Financial-Stability-Review/Financial-Stability-Review_September-2019.pdf

BoU. (2020). *Financial Stability Report June, 2020.* Kampala: Bank of Uganda. Retrieved October 2, 2021, from https://www.bou.or.ug/bou/bouwebsite/bouwebsitecontent/FinancialStability/financial_stability/Rpts/All/Financial-Stability-Report-June-2020.pdf

BoU. (2021). *Monetary Policy Report, 2021*. Kampala: Bank of Uganda. Retrieved January 9, 2022, from https://bou.or.ug/bou/bouwebsite/bouwebsitecontent/MonetaryPolicy/Monetary_Policy_Reports/2021/Apr/Monetary-Policy-Report-April-2021.pdf

BoU. (2021). *Monetary Policy Report, April 2021*. Kampala: Bank of Uganda. Retrieved October 6, 2021, from https://bou.or.ug/bou/bouwebsite/bouwebsitecontent/MonetaryPolicy/Monetary_Policy_Reports/2021/Apr/Monetary-Policy-Report-April-2021.pdf

BoU. (2022, January 11). Monetary Policy and Exchange rate Fluctuation in Commercial banking-Uganda. *Bank of Uganda*. Retrieved January 9, 2022, from https://www.bou.or.ug/bou/faq/Related-faq/monetary-policy/index.html

Centenary Bank. (2020). *Annual Intergrated Report, 2019*. Kampala: Cenetnary Bank Uganda Limited. Retrieved December 24, 2021, from https://www.Centenarybank.co.ug/uploads/page/2019%20Cente%20Annual%20Report-Web.pdf

Check, J., & Schutt, R. K. (2012). *Sampling. Research Methods in Education* (5th ed.). New York: SAGE Publications.

Chehade, S. (2021). Macro Determinants of Foreign Investment in Developing countries. *Journal of Investment Social Science, 17*(10), 64.

Creswell, J. W., & Creswell, D. J. (2017). *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches* (5th ed.). SAGE Publications.

De Grauwe, P., & Grimaldi, M. (2018). *The exchange rate movements in a behavioral finance framework.* Princeton University Press.

Dean, E., Elardo, J., Green, M., Benjamin, W., &Berger , S. (2020). *Monetary Policy and Economic Outcomes. Principles of Economics: Scarcity and Social Provisioning* (2nd ed.). Oregon: Pressbooks.

Dinh, H., Iyke, B. N., Sharma, S., &Affandi, Y. (2021). Economic policy uncertainty and financial stability–Is there a relation? *Journal of Economic Modelling, 94*, 14.

Dryden, J., Reut, K., & Slater, B. (2020). Comparison of purchasing power parity between the United States and Canadian Currency. *Monthly Labour Review*, 18.

Ebong, J., & Babu, G. (2021). Financial Inclusion through Digital Financial Services (DFS): A Study in Uganda. *Journal of Risk and Financial Management, 14*(9), 393.

Egilsson, J. H. (2020). How raising interest rates can cause inflation and currency depreciation. *Journal of Applied Economics, 23*(1), 450-468.

Eichenbaum, M., Johannsen, B., &Rebelo, S. T. (2021). Monetary policy; International trade regulations and the predictability of nominal exchange rates. *The Review of Economic Studies, 88*, 192-228.

Eleftheriou, M., & Müller-Plantenberg, N. A. (2018). The Purchasing Power Parity Fallacy: Time to Reconsider the PPP Hypothesis. *Open Economies Review, 29*, 418-515.

Fanelli, S., & Straub, L. (2020). *A theory of Foreign Exchange Exposure Interventions.* National Bureau of Economic Research. Retrieved October 4, 2021, from https://www.nber.org/system/files/working_papers/w27872/w27872.pdf

Faruk, M., &Kızılkaya, O. (2019). Testing the theory of PPP for emerging market economies that practice flexible exchange rate regimes. *Applied Economics Letters, 26*(17), 1411-1417.

Ferrouhi, E. M. (2018). *Determinants of banks' profitability and performance: An overview.* Algiers, Morocco: Faculty of Law, Economics and Social Sciences, Ibn Tofail University. Retrieved October 8, 2021, from https://mpra.ub.uni-muenchen.de/89470/1/MPRA_paper_89470.pdf

FSD Uganda. (2019). *Report on banking and the status of financial inclusion in Uganda: Insights from FinScope 2018 Survey.* Kampala: Financial Sector Deepening (FSD) Uganda. Retrieved October 7, 2021, from https://fsduganda.or.ug/wp-content/uploads/2019/05/FSDU-Thematic-Report-on-Banking.pdf

Haidar, J. I. (2019). Currency Valuation and Purchasing Power Parity. *Journal of World Economics, 12*(3), 1-12.

Hatemi-J, A. (2019). "The international Fisher effect: theory and application. *Journal of Investment Management and Financial Innovations, 6*(1), 117-121.

Hecht, A., &Lampenius, N. (2018). How do Firms Manage their Foreign Exchange Exposure? *Journal of the Institute of Financial Management*, 1-30. Retrieved October 4, 2021, from https://poseidon01.ssrn.com/delivery.php?

Hooper, P., & Jaime, M. (2021). *Exchange Rates, Prices, and External Adjustment in the United States and Japan.* New Jersey: Princeton University Press.

ICP. (2019). Fundementals of Purchasing Power Parities. *World Bank/International Comparison Program*, 2.

Jefferis, K., Kasekende, E., Rubatsimbira, D., &Ntungire, N. (2020, March 13). The determinants of interest rate spreads in the Uganda banking system: Results from a new analysis of banking system data. *International Growth Center Policy Brief*, pp. 1-4. Retrieved October 7, 2021, from https://www.theigc.org/wp-content/uploads/2020/03/Jefferis-et-al-2020-Policy-Brief-v2.pdf

Jin, M., Yin, M., & Chen, Z. (2021). Do investors prefer borrowers from high level of trust cities? Evidence from China's P2P market. *Research in International Business and Finance, 58*.

Jongrim, H., Stocker, M. M., &Yilmazkuday, H. (2020). Inflation and exchange rate pass-through. *Journal of International Money and Finance, 105*, 102-187.

Kamanyire, E. (2018). Effectiveness of Bank of Uganda Interest Rates in Influencing the Operations of Centenary Bank (U) Limited. *Masters Thesis, Makerere University*.

Kasi, F. (2021). *2020 Centenary Bank Financial Performance.* Kampala: Centenary Bank Uganda Limited. Retrieved October 7, 2021, from https://www.Centenarybank.co.ug/uploads/page/1619624135CB%20Financials%202020.pdf

Keita, K. S., & Camelia, T. (2019). On promoting fiscal discipline: The role of exchange rate regimes, fiscal rules and institutions. *World Bank Policy Research Working Paper 8964*, 23-33.

Khisa, I. (2021, May 5). Centenary Bank net profit up 3.4%. *The Independent*. Retrieved from https://www.independent.co.ug/Centenary-bank-net-profit-up-3-4/

Kohler, M., Josef, M., &Dilhan, P. (2017, March). Exchange Rate Movements and Economic Activity: Evidence from Banks in U.S, Japan, Canada and Germany. *Quarterly Bulletin*, pp. 47-54. Retrieved October 2, 2021, from https://www.rba.gov.au/publications/bulletin/2017/mar/pdf/bu-0314-5.pdf

Kohlscheen, E., Andrés, M., &Julieta, C. (2018). Determinants of bank profitability in emerging markets. *Bank of International Settlements, Working Paper No.686*, 7-33.

Lafrance, R., & Schembri, L. (2018). Purchasing-Power Parity: Definition, Measurement, and Interpretation. *Bank of Canada Review*, 27-33.

Luca Dedola, Michele Ca'Zorzi, Georgios Georgiadis, Marek Jarocinski, LivioStracca, & Georg Strasser. (2020). Monetary policy and its transmission in a globalised world. *European Central Bank Working Paper Series No.2407*, 71.

Makumbi, D. (2019). E-banking and Financial Performance of Commercial Banks in Uganda: A case study of Centenary Bank Mapeera Branch. *Masters Thesis*. Kampala: Kampala International University.

Marcel, F. (2019). *What explains Global exchange rate movements during Financial crisis?* Frankfurt: European Central Bank.

Marcelo, S. (2018). The Link Between Interest Rates and Exchnage Rates: Do Contractionary Depreciations Make a difference? *European Central Bank, Working Paper Series 548*, 11-33.

Mbabazize, R. N., Turyareeba, D., Ainomugisha, P., &Rumanzi, P. (2020). Monetary Policy and Profitability of Commercial Banks in Uganda. *Open Journal of Applied Sciences, 10*(10), 625-653.

Menya, A. (2021). Determinants of Exchange Rate in Uganda (1990-2019). *Research Colloquium for Financial Planning and Related Disciplines, 1*(1), 12-22.

Morvillier, F. (2020). Do Inflation impacts affect currency undervaluations and economic growth? *Journal of Economic Modelling, 84*, 275-292.

Moyo, D., &Tursoy, T. (2020). *Impact of Inflation and Exchange Rate on the Financial Performance of Commercial Banks in South Africa.* North Cyprus: Near East University. Retrieved October 7, 2021, from https://mpra.ub.uni-muenchen.de/101383/1/MPRA_paper_101383.pdf

Mugenda, M. O., &Mugenda, G. A. (2003). *Research Methods: Quantitative and Qualitative Approaches.* Nairobi: African Centre for Technology Studies (ACTS) Press.

Mugume, A., &Opolot, J. (2019). Exchange Rate Volatility in Uganda: Causes and Desirable Policy. *Bank of Uganda, Working Paper Series No.14/2019*, 5. Retrieved October 2, 2021, from https://archive.bou.or.ug/archive/opencms/bou/bou-downloads/research/BouWorkingPapers/2019/All/Exchange-Rate-Volatility-in-Uganda-Causes-and-Desirable-Policy-Options.pdf

Mumba, K. (2021). *Absa Bank Uganda Limited: 2020 Annual Financial Results for the year ended 31 December 2020*. Kampala: ABSA Uganda Limited. Retrieved October 7, 2021, from https://www.absa.co.ug/content/dam/uganda/absa/pdf/reports/finanacial-results-2020.pdf

Muteekani, P. (2018, April 11). Uganda: URA's Directive On Banks Is Illegal and Intrusive. *Daily Monitor*. Retrieved October 7, 2021, from https://dailymonitor.com/stories/201804120172.html

Mwima, G. (2021). Analysis of the financial performance of Centenary Bank in Uganda. *Masters Thesis*. Kampala: Makerere University.

Naftaly, M., &Kaboro, J. (2019). Does Inflation rate convergence spur Exchnage Rate Volatility? Empirical Evidence from Sub-saharan Africa. *Asian Journal of Economic Modelling, 7*(3), 95-105.

Najjemba, C. (2019). Assessing factors that influence the exchange rates in Uganda (2000-2019). *Doctoral Dissertation*.

Nasir, M., & Morgan, J. (2018). Pre-Brexit: the EU referendum as an illustration of the effects of uncertainty on the Sterling exchange rate. *Journal of economic studies, 45*(5), 910-921.

Ngor, K. N. (2019, August). Exchange rate, Monetary Policy and Bank loans in Uganda: A case of Centenary Rural Development Bank. *Masters Thesis*, p. 58.

Nyorekwa, E. T., & Odhiambo, N. M. (2018). Monetary policy and economic growth dynamics in Uganda. *Journal of Banks & bank systems, 9*(2), 18-28.

Offiong, A., Riman, H., & Akpan, E. (2017). Exchange fluctuations and commercial banks profitability. *Research Journal of Finance and Accounting, 7*(18), 1-6.

Onyejiuwa, D. C., &Okodede, F. O. (2021). Effect of Exchange Rate Regimes on Exchange Rate Determination in Uncertain Times. *SAU Journal of Management and Social Sciences, 6*(2), 12-23.

Orach, H., Pu, C., Ling Shen, Q., Shiying, W., Ssewajje , H., &Wigmore , R. (2021). Effect of Exchange Rate Volatility on Uganda's Trade Balance. *Advances in Social Sciences Research Journal, 8*(5), 532-574. Retrieved October 2, 2021, from https://www.researchgate.net/profile/Orach-Henry/publication/352267979_EFFECT_OF_EXCHANGE_RATE_VOLATILITY_ON_UGANDA'S_TRADE_BALANCE/links/61449163a3df59440b92633e/EFFECT-OF-EXCHANGE-RATE-VOLATILITY-ON-UGANDAS-TRADE-BALANCE.pdf

Otieno, P. O. (2017). Effect of foreign currency exchange rates on financial performance of the Banking Sector in Kenya. *Doctoral Dissertaion*, p. 22.

Paitoon, K. (2020). Determinants of Thai Baht Exchange Rate and Asian Currencies Exchange rate. *Research in World Economy, 11*(5), 1-15.

Papaioannou, M. (2006). *Exchange Rate Risk Measurement and Management: Issues and Approaches for Banks.* International Monetary Fund. Retrieved October 5, 2021, from https://www.imf.org/external/pubs/ft/wp/2006/wp06255.pdf

Petr, K., &Kapounek, S. (2020). International fisher effect under exchange rate regime shifts: Evidence from 10 examples. *Journal of Society and Economy, 35*(4), 451-469.

Podpiera, R., &Čihák, M. (2018). Bank Behavior in Developing Countries: Evidence from East Africa. *IMF Working Paper No. 05/129*, 1-25. Retrieved October 7, 2021, from https://papers.ssrn.com/sol3/papers.cfm?abstract_id=887998

Purwono, R. (2020). The Effect of Exchange Rates and Interest Rates of Four Large Economies on the Health of Banks in ASEAN-3. *The Journal of Asian Finance, Economics and Business, 7*(10), 591-599.

Reza, A., &Solikin, J. (2021). The dynamics of global financial cycle and domestic economic cycles: Evidence from India and Indonesia. *Economic Modelling, 94*, 831-842.

Rob, H., &Gregoriou, A. (2021). International Capital Flows and Trade Speculation. *Journal of Risk and Financial Management, 14*(2), 197.

Rudaheranwa, R. (2019). An Analysis of Uganda's trade deficit trends, Sources and Needed Measures. *Ugandan Journal of Management and Public Policy Studies, 16*(1), 60-70.

SBU. (2018). *Annual Report 2017.* Kampala: Stanbic Bank Uganda Limited. Retrieved October 7, 2021, from https://www.stanbicbank.co.ug/static_file/Uganda/Downloadable%20files/Annual%20reports/SBU_AnnualReport2017.pdf

Schreyer, P., &Francette, K. (2020). Purchasing power Parities- Measurement and uses. *OECD Statistics Brief No.3*, 8.

Shobande, O. A., & Oladimeji, S. T. (2021). Monetary policy interdependency in Fisher Effect: A comparative evidence. *Journal of Central Banking Theory and Practice*, 203-226.

Stenfors, A. (2018). Bid-ask spread determination in the FX swap market: Competition, collusion or a convention? *Journal of International Financial Markets, Institutions and Money, 54*, 78-97.

Tumwine, S., Sejjaaka, S., Bbaale, E., &Kamukama, N. (2018). Determinants of interest rate in emerging markets: A study of banking financial institutions in Uganda. *World Journal of Entrepreneurship, Management and Sustainable Development, 14*(3), 267-290.

Virtorio, C., Goldstein, M., & Khan, M. (2019). *Exchange Rate Arrangements and Banking Performance in developing countries.* International Monetary Fund. Retrieved December 24, 2021, from https://www.elibrary.imf.org/view/books/081/08012-9781557756817-en/C04.xml

Zubairu, I., & Iddrisu, J. A. (2019). Foreign Exchange Exposure: An Investigation of the Determinants in the UK Multinationals. *International Journal of Economics, Finance and Management Sciences, 7*(4), 95-102.

APPENDICES

Appendix 1: Draft Letter of introduction

NakazziVyna Kush

P.O. Box 40218 -00100

Kampala

Name of Respondent----------

Company Name and address----------

Dear Sir/ Madam,

RE: REQUEST FOR PARTICIPATION IN DATA COLLECTION EXERCISE

I am delighted to address you regarding the captioned matter.

I am a student at Africa Nazarene University, Nairobi, Kenya; currently undertaking a Research Project on the ***"Effects of Exchange rate movement on financial Performance of Centenary Bank Uganda limited head Office"*** in fulfilment of the award of the Degree of Master of Business Administration

Given your expertise, experience and informed opinion on my topic of study, it is with honour therefore that I humbly request you to participate in my research data collection exercise.

Should you accept to take part in this exercise as a respondent, all the information you shall provide to this study will exclusively be used for academic purposes only and was treated with utmost confidence. It was a pleasure to co-operate with you on this academic journey.

Yours faithfully,

_____

NakazziVyna Kush
(Candidate)

Cc. University Supervisors
Cc. Internal Examiner
Cc. External Examiner

Appendix 2: Questionnaire to Centenary bank

Dear respondent:

My name is NakazziVyna Kush, a student at Africa Nazarene University, Nairobi, Kenya conducting research for my Master's thesis for the award of a Master of Business Administration and I am delighted that you have chosen to participate in this academic venture. I am undertaking research on the influence of Exchange rate movement on Financial Performance in Centenary Bank Uganda Limited head office and as a requirement for this research, the information you will provide was kept with utmost confidence and used for academic purposes only.

Instructions

i) Do not write your name or any other personal identification information anywhere in this questionnaire.

ii) Tick where appropriate in the spaces provided and provide descriptive answers where requested.

iii) Please answer ALL the questions in the spaces provided.

SECTION A

Respondent's background information.

1. Kindly indicate your age.

(18-25) ☐ (26-39) ☐ (40-45) ☐ (46 and above) ☐

2. Kindly indicate your Gender

Male ☐ Female ☐

3. Kindly indicate the Level of Education

Primary ☐ Post-primary ☐ Tertiary Institution ☐ Bachelor's Degree ☐

Masters ☐ PhD ☐

4. For how long have you been working with Centenary Bank Head office?

Less than 5 years ☐ <10 years ☐ <10 years ☐

5. What is your current management position in this bank? (Please tick where appropriate)

Lower/Junior level ☐ Mid-level ☐ Top/Senior level ☐

6. SECTION B: Financial performance in Centenary bank head office Uganda.

Using the scale provided, kindly indicate extent to which you disagree or agree with the following statement as relating to financial Performance in Centenary bank head office in Uganda**.** They are stated in a likert scale where; 1- Strongly disagree (SD), 2- Disagree (D), 3-Neutral (N), 4-Agree (A), 5-Strongly Agree (SA). You can have more than three statements so that you can include all the questions and avoid using the dependent variable in your statements

Statements	**SD**	**D**	**N**	**A**	**SA**
1.Economic stability of the country influences the profitability and liquidity margins of commercial banks					
2.Centenary bank increases its interest rates leading to higher return on loans					
3.Centenary bank thrives in a volatile economy as a result of rising interest rate to overall higher profitability					

7. SECTION C: Level of economic stability influences financial performance in Centenary bank head office Uganda.

Statements	SD	D	N	A	SA
1.Balance of trade influences financial performance at centenary bank head office Uganda					
2.Inflates rate influence the financial performance at centenary bank head office Uganda					
3.The value of the domestic currency influences the financial performance at centenary bank head office					
exchange rate movements determine commercial lending rates in Centenary bank					

4.Economic stability of the country influences the profitability and liquidity margins of commercial banks					
5.Centenary bank increases its interest rates leading to higher return on loans					
6.Centenary bank thrive in a volatile economy as a result of rising interest rate to overall higher profitability					

To what extent does the level of economic stability influence financial performance in Centenary bank head office Uganda?

……

……

……

SECTION D: Monetary policies influence financial performance in Centenary bank Head office Uganda.

Statements	**SD**	**D**	**N**	**A**	**SD**
1. The potential for profitability of Centenary bank is determined by political forces, fiscal policies.					
2.Monetary policies such as trade tariffs and quotas keep the exchange rates lower to increase the purchasing power of the currency					
3. Centenary bank can be able to anticipate future inflation and adjust interest rate to generate higher revenue.					
4.Central bank often passes fixed rate interests to stabilize the economy and exchange rates					
5. Monetary policy helps to control the financial performance indicators of commercial banks.					
6. The volume of Centenary bank lending and profitability decreases as core inflation rises with adequate monetary policy controls.					

How does monetary policies influence financial performance in Centenary bank Head office Uganda?

……

……

……

8. SECTION E: International trade competitiveness influences performance in Centenary bank head office Uganda.

Statements (International trade competitiveness)	**SD**	**D**	**N**	**A**	**SA**
1.Strength of the domestic currency influences the financial performance of Centenary bank head office					
2. International competition of currencies reflects the efficiency in production, quality service provision and profitability of Centenary bank Uganda limited bank.					
3.Level of international competitiveness of currencies can determined by the growth of a dominant currency					
4.Dominant currencies affect the level of exchange fluctuations of other currencies					
5.Centenary bank Uganda limited chooses to or not to trade and invest in a given currency depending on the weight of the return on assets to be gained					
6.Centenary bank prefers to trade in foreign currency as opposed to their domestic currency					
7.Centenary bank Uganda limited protects against the volatility of foreign capital flows and exchange rates' instability					

How does international trade competitiveness influence financial performance in Centenary bank head office Uganda?

……

……

……

4th, April, 2022

E-mail: researchwriting.mba.anu@gmail.com

Tel. 0202711213

Our Ref: 17J03DMBA025

The Human resource.
Centenary Bank,
Kampala Uganda

Dear Sir/Madam:

RE: RESEARCH AUTHORIZATION FOR:NAKAZZI VYNA KUSH

Miss. Nakazzi is a postgraduate student of Africa Nazarene University in the Master of Business Administration (MBA) program.

In order to complete her program, Miss. Nakazziis conducting research entitled: **"Influence of Exchange Rate Movements on Financial Performance of Centenary Bank."**

Any assistance offered to her will be highly appreciated.

Yours Faithfully,

DR. Kimani Gichuhi,

MBA, Coordinator,

School of Business,

Africa Nazarene University.