EFFECT OF OWNERSHIP STRUCTURE ON THE RELATIONSHIP BETWEEN RISK MANAGEMENT PRACTICES AND FINANCIAL PERFORMANCE OF FINANCIAL INSTITUTIONS IN KENYA

Lagat Fredrick Kiprop and Dr. Josephat Yegon

AJP

EFFECT OF OWNERSHIP STRUCTURE ON THE RELATIONSHIP BETWEEN RISK MANAGEMENT PRACTICES AND FINANCIAL PERFORMANCE OF FINANCIAL INSTITUTIONS IN KENYA

[1*] Lagat Fredrick Kiprop

[*]Post graduate student, Moi University Eldoret

*Corresponding Author's Email: flagat_2010@yahoo.com

[2*]Dr. Josephat Yegon

Lecturer, Moi University Eldoret

Abstract

Purpose*:* The purpose of the study was to determine the effects of ownership structure on the relationship between risk management practices and performance of financial institutions.

Methodology: The study used explanatory research design. The study used stratified random sampling to select respondents from target population comprising of managers of 46 commercial banks, 52 Micro Finance institutions (MFIs) and 200 SACCOs and a sample size of 239 respondents obtained. Data was collected using questionnaires. Descriptive statistics was presented, while inferential statistics was done using Pearson product moment correlation.

Results: The findings indicated that the risk management practices (identification, analysis, evaluation and monitoring) influence the performance of financial institutions.

Unique contribution to theory, practice and policy: The study has established the importance of ownership structure as a system of corporate governance that significantly moderates the relationship between risk management practices and performance of financial institutions can exploit various risk management practices identification, analysis, evaluation and monitoring should be enhanced so as to bring efficiency in the performance of financial institutions. These may be achieved through establishment and implementation of risk identification, analysis, evaluation and monitoring policy framework which will significantly influence performance of financial institutions and enhance shareholder capabilities to identify, analyse, evaluate and monitor all risks that can hinder the financial institutions from achieving their set objectives.

Key words*: ownership structure, performance, financial institutions*

www.ajpojournals.org

1.0 INTRODUCTION

1.1 Background of the Study

Performance is "a reflection of the organization's capacity and its ability to achieve its objectives" (Eccles, 1991). Performance is an indicator explaining the level of development of any society. Recently, the challenges of the global business environment have re-echoed the need for corporate organizations to have more concerns about the success of business firms. Firm performance has been viewed as one of the most important variables that attracted the attention of researchers in both finance and management literature (Gavrea, Ilies & Stegerean, 2011).

Firm performance is a concept that explains the extent to which an organization achieves objectives. It indicates how organizations have been scrutinizing key business activities over time (Saeidi *et al.,* 2014). Firm performance is an indicator that helps to evaluate and measure how an organization succeeds in realizing business objectives to all its stakeholders (Antony and Bhattacharyya, 2010). Firm performance refers to a firm's ability to achieve its goal through the application of available resources in an efficient and effective manner (Asat *et al.,* 2015). Studies have used different types of performance indicators to measure firm performance.

For instance, measures such as return on investment, return on sale and return on equity are some of the commonly used parameters to measure performance (Saeidi *et al.,* 2014). Thus, for a more comprehensive assessment, organizations have resorted to the utilization of both financial and non-financial performance measures. Judge *et al.,* (2003) used both financial and non-financial indicators such as process improvements, customer satisfaction, capacity utilization and product service quality to measure firm performance.

The financial performance assessment is devoid of such a multitude of options and methodologies despite critical importance of financial sustainability. Though an ambition for sustainable institutions has been articulated, there was also an opinion that most financial institutions working in this field have been unsustainable. Research studies have shown that this is predominantly connected to the perception of micro borrowers' risk and creditworthiness, and the diseconomies of scale in making small loans (Quach, 2005).

According to Dayson *et al*., (2006), microfinance has been attractive to lending agencies because of demonstrated sustainability and low cost of operations. Results of these studies strongly suggest that bank profitability determinants vary across countries and also among regions of the world (Doliente, 2003). In accordance with the study of Grier (2007), profitability ratios are often used in a high esteem as the indicators of credit analysis in banks, since profitability is associated with the results of management performance. Bank performance indicates bank's capacity to generate sustainable profits. Banks protect the profitability against unexpected losses, as it strengthens its capital position and improves future profitability through the investment of retained earnings. A bank that persistently makes a loss will ultimately deplete its capital base, which in turn puts equity and debt holders at risk.

The International Monetary Fund (IMF, 2014) survey on financial performance of Sub-Sahara Africa home grown institutions finds that risks were increasing and negatively affected the financial performance of firms in the region. The report further outlines various risks such as; declining prices for commodity goods, fiscal vulnerabilities, security, and growing capital flows

were dynamics for risk management. In some countries for instance in Ghana growing deficits in the national budget and political instability was affecting the local currencies against the major currencies and therefore putting pressure on locally produced goods. While in the case of Zambia, general increase in wages was affecting firms 'income by increasing cost of production. Generally the increasing insecurity rates in Central Africa Republic and Southern Sudan was the main reason behind the continuous factors that affected growth prospects of the local firms in the region (IMF, 2014).

1.2 Statement of the Problem

Performance refers to money that a firm can produce with the resources it has. The goal of most financial institution is profit maximization (Niresh & Velnampy, 2014). Profitability involves the capacity to make benefits from all the business operations of a financial institution (Muya & Gathogo,2016).Theoretically, risk management plays a key role in improving firms' financial performance (Kaplan *et al.*, 2008).Risk management affect financial performance of a firm by reducing surprises arising from business complexities, unpredictable business environment and evolving risks. Effective risk management practices and profitability when aggregated affects financial performance of firms in today's competitive environment, profitability is a key factor for smooth running of the business that has a significant effect on performance of the bank and economic development as well ;Tariq *et al*., (2014).

 Financial institutions are bestowed with an imperative responsibility to execute in the economy by acting as intermediaries between the surplus and deficit units, making their job as mediators of critical significance for efficient allocation of resources in the modern economy (El-Hawary *et al.*, 2007). The stability of the entire economy is affected by a crumple of the financial institutions, as a result a robust risk management system is mandatory to keep the financial institutions up and running (BNM, 2008; Blunden, 2005). Risk management is an issue that needs to be stressed and investigated, especially in the banking industry, where the need for a good risk management structure is extremely important.

In the financial sector, risk management is seen as one of the most essential internal itineraries upon which decisions are made by financial institutions (Pauzuolis & Cvilikas, 2014). A good risk management framework helps the institution to protect from unfavorable consequences (downside risks) and permit the institution to take the benefit of any possible opportunities (up-side risks). Moreover, as the nature of business for financial institutions are accepting and managing credit risk, thus they act as shock absorbers.

Ludquist (2014) identified the possibility that ownership structure tamper the magnitude of relationship between risk management and firm performance. Ownership structure to banks is important because the basic motivation of owners of capital is to maximize their wealth by enhancing the value. Eduardus *et al. (*2007) study on ownership structure of financial institutions finds ownership to some extent determines their risk management approaches, and these in turn affect their performance .One may wonder whether these factors may affect each other, and thereby affect performance jointly, this study sought to determine this gap.

There are few local studies on risk management which include; Kimeu (2008) who studied credit risk management techniques of unsecured banks loans of commercial banks in Kenya, Ngare (2008) who studied credit risk management practices by commercial banks, Simiyu (2008) studied techniques of credit risk management in microfinance institutions in Kenya, Mutwiri (2007)

studied credit risk management practices by oil companies in Kenya, Muteru (2007) who studied credit risk management practices by Pharmaceuticals manufacturing firms in Kenya, Mwirigi (2006) who studied credit risk management techniques adopted by micro finance institutions in Kenya and Njiru (2003) who studied credit risk management by coffee co-operatives in Embu District.

1.3 Objectives of the Study

The general objective was to determine the effects of ownership structure on the relationship between risk management practices and performance of financial institutions.

2.0 LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 Agency Theory

According to the agency theory of the firm espoused by Jensen and Mekling (1976), the modern corporation is subject to agency conflicts arising from the separation of the decision-making and risk-bearing functions of the firm. In this setting, Jensen and Mekling (1976) show that managers have a tendency to engage in excessive perquisite consumption and other opportunistic behavior since they receive the full benefit of such activity but bear less than their full share of the costs. Diffuse ownership (individual owners) also makes it difficult for owners to effectively coordinate their actions. Higher levels of monitoring could encourage managers to avoid strategies decisions that harm shareholder value. In fact, research evidence shows that ownership concentration is associated with lower levels of firm product diversification. Thus, with high degree of ownership concentration, the probability is greater that managers' strategic decisions will be intended to maximize shareholder value. Much of this concentration has come from increasing equity ownership by institutional investors.

This theory has its origins in the early 1930s when Berle and Means (1932) explored the corporate revolution. They revealed that at the early stage, corporations were managed by the founders themselves. As corporations grew, the owners sought external sources of financing. Hence, corporations issued equity. As a result, corporations became owned by external shareholders, where the evolution of separation between owners (ownership) and managers (control) commenced. There are two types of investors, which are either as an individual, they invest directly in purchasing the corporation's stocks or bonds, or invest indirectly by investing in insurance companies, banks and investment trusts, which will invest in corporate securities on behalf of the investors.

Goergen and Renneboog (2001) argued that if there are insufficient monitoring mechanisms in a firm such as having a diffuse ownership structure (which is the opposite of the ownership concentration structure), it may lead to high managerial discretion which may increase the agency costs. As has been argued in the literature, the level of monitoring is a function of such variables as institutional ownership, block ownership by outsiders, the technology in place to monitor the managers (Bajaj, Chan & Dasgupta, 1998) and forecasted profit gain derived from the monitoring (Demsetz & Villalonga,2001).

Lee (2008) conceptualized most shareholders as those who are interested in the future dividend stream rather than the future of the firm hence, and they would rather sell the shares rather than exercise their rights. Most of them do not have knowledge to make informed decisions about their

investments. Therefore, the agency problem is high in dispersed ownership since shareholders tend to free ride hence reducing their incentive to monitor. He also noted that foreign owners and institutions have the resource capability to properly monitor compared to the other ownership identities. Douma *et al.*, (2006) also suggest that foreign financial institutions' investment decisions are made by fund managers hence lesser agency problems because they have better monitoring capabilities.

The agency theory holds that most businesses operate under conditions of incomplete information and uncertainty. Such conditions expose businesses to two agency problems namely adverse selection and moral hazard. Adverse selection occurs when a principal cannot ascertain whether an agent accurately represents his or her ability to do the work for which he or she is paid to do. On the other hand, moral hazard is a condition under which a principal cannot be sure if an agent has put forth maximal effort (Eisenhardt, 1989).

It has been pointed out that separation of control from ownership implies that professional managers manage a firm on behalf of the firm's owners. Conflicts arise when a firm's owners perceive the professional managers not to be managing the firm in the best interests of the owners. According to Eisenhardt (1989), the agency theory is concerned with analyzing and resolving problems that occur in the relationship between principals (owners or shareholders) and their agents or top management. The theory rests on the assumption that the role of organizations is to maximize the wealth of their owners or shareholders (Blair, 1995).

According to the agency theory, superior information available to professional managers allows them to gain advantage over owners of firms. The reasoning is that a firm's top managers may be more interested in their personal welfare than in the welfare of the firm's shareholders. Managers will not act to maximize returns to shareholders unless appropriate governance structures are implemented to safeguard the interests of shareholders. Therefore, the agency theory advocates that the purpose of corporate governance is to minimize the potential for managers to act in a manner contrary to the interests of shareholders.

Proponents of the agency theory opine that a firm's top management becomes more powerful when the firm's stock is widely held and the board of directors is composed of people who know little of the firm. The theory suggests that a firm's top management should have a significant ownership of the firm in order to secure a positive relationship between corporate governance and the amount of stock owned by the top management (Mallin, 2004). Wheelen and Hunger (2002) argue that problems arise in corporations because agents (top management) are not willing to bear responsibility for their decisions unless they own a substantial amount of stock in the corporation.

The agency theory also advocates for the setting up of rules and incentives to align the behaviour of managers to the desires of owners. However, it is almost impossible to write a set of rules for every scenario encountered by employees. Carpenter and Westpal (2001) opine that the agency theory is mainly applied by boards of profit making organizations to align the interests of management with those of shareholders, and that the demands of profit making organizations are different from those of stakeholders such as shareholders, local communities, employees and customers. The conflicting demands can be used to justify actions that some may criticise as immoral or unethical depending on the stakeholder group.

This theory brings out an understanding to the relationship between ownership concentration, foreign ownership and performance. Agency problems are seen to be more in dispersed ownership

as shareholders tend to free ride and hence are less effective in their monitoring leading to ineffectiveness in performance. On the other hand, foreign owners are depicted to have more capacity and resources hence increasing their monitoring capabilities. Their investment decisions also tend to be more informed since they seek the services of professional managers. Foreign ownership therefore, would lead to better performance. This theory is relevant to this study because the State ownership would be deemed inefficient due to the lack of capital market monitoring which according to the Agency theory would tempt manager to pursue their own interest at the expense of the enterprise. Managers of private banks will have greater intensity of environmental pressure and capital market monitoring which punishes inefficiencies and makes private owned firms economically more efficient (Lang & So, 2002).

2.2 Literature Review

Ali and Luft (2002), suggested that a firm only engage in risk management if it enhances shareholder value; Banks (2004), contributed that it is important for each firm to retain and actively manage some level of risk if it is to increase its market value or if the probability of financial distress is to be lowered; Pagano (2001), confirms that risk management is an important function of institutions in creating value for shareholders and customers. Generally, company operations are prone to risks and if the risks are not managed the firm's financial performance was at stake. Firms with efficient risk management structures outperform their peers as they are well prepared for periods after the occurrence of the related risks. This study hopes to come up with an expected positive relationship between risk management practices and performance of financial.

In a study of the sensitivity to risk of large domestic banks in the USA, Linbo (2004) found that profit efficiency is sensitive to credit risk but not to insolvency risk or to the mix of loan products. Hahm (2004) argues that it is necessary to improve banking supervision and banks' risk management to ensure successful financial liberalization. This is based on a study of interest rate and exchange rate exposure of Korean banks before the 1997 Asia Pacific economic crisis, which found that the performance of commercial banks was significantly associated with their pre-crisis risk exposure.

Fatemi and Fooladi (2006), after investigating the current practices of credit risk management in the largest US-based financial institutions, report that identifying counterparty default risk is the single most important purpose served by the credit risk models utilized. However, it should be noted that these results are based on a very low response rate, i.e. 21 responses to questionnaires sent to 100 banks.

Al-Tamimi and Al-Mazrooei (2007) provide a comparative study of banks' risk management in locally incorporated banks and foreign banks in the United Arab of Emirates (UAE). The results show that the three most important types of risks facing UAE commercial banks are foreign exchange risk, followed by credit risk and operating risk. However, an earlier study by Al-Tamimi (2002) reports that the main risk facing UAE commercial banks is credit risk. For risk identification (RI), he reports that inspection by branch managers and financial statement analysis were the main methods used; while Al-Tamimi and Al-Mazrooei (2007) report that inspection by the bank risk manager, audits or physical inspections, financial statement analysis and risk survey are the main methods used. These results indicate that banks are becoming more sophisticated in managing their risk. The authors also report that the locally incorporated banks are fairly efficient

in managing risk; however, the variables such as RI, assessment and analysis have proved to be more influential in the risk management process.

Finally, their results indicate that there was a significant difference between the UAE national and foreign banks in understanding risk and risk management (URRM), practicing risk assessment and analysis (RAA), and in risk monitoring (RMON) and controlling, but not in RI, credit risk analysis (CRA) and RMPs. On average, they report that foreign banks are better than locally incorporated banks in dealing with risk exposure. A difference in the quality of the staff is the primary reason offered by the authors to account for such significant differences. Additionally, one could add differences in regulatory requirements that banks are subject to as a possible reason for such results. Branches of foreign banks, such as Citibank, HSBC and Standard Chartered Bank, are required to comply with the regulatory requirements that their parent companies are subject to, which might be more rigorous than those applied by the Central Bank of the UAE.

Al-Tamimi (2008) studied the relationship between the readiness to implement the Basel II Accord and the resources needed to implement it in UAE banks. The results revealed that these banks are aware of the benefits, impact and challenges associated with the implementation of the Basel II Accord. However, the research did not find any positive relationship between the UAE banks' readiness to implement Basel II and the impact of that implementation. Nor was the relationship between readiness and anticipated cost of implementation confirmed. No significant difference was found in the level of preparation for the Basel II Accord between the UAE national and foreign banks. It was concluded that there was a significant difference in the level of the UAE banks in relation to Basel II, based on employees' educational levels. The results supported the importance of education for the implementation of the Basel II Accord.

Hassan (2009) reports that, like the conventional banks, Islamic banks are also subject to a variety of risks due to the unique range of products offered. He also shows that there was a remarkable understanding of risk and risk management among the staff working in the Islamic banks of Brunei Darussalam, which proved their ability to manage risk successfully. The major risks that were faced by these banks were foreign exchange risk, credit risk and operating risk. A regression model was used to develop the results, which showed that RI, and RAA were the most influential variables, and the Islamic banks in Brunei needed to give more attention to those variables to make their RMPs more effective. Understanding the true application of the Basel II Accord can improve the efficiency of Islamic banks' risk management systems.

Weru (2008) conducted a study on an assessment of information systems risk management practices: A case of practical action (international). The purpose of the study was to establish the importance of information systems in regard to business continuity. This was a descriptive case study that aimed at assessing information systems risk management practices in Practical Action. This study reviewed literature on general risk management and information systems risk management in order incorporate other views in the study. The research targeted seven (7) countries in four different continents of the world. The study population included all the 14 information technology staff in the seven countries. Data was collected by use of standard structured questionnaires which were emailed to the respondents and online communication from the respondents. The study findings revealed that IT risk management is on ad hoc basis. The senior management teams in each country has left the role of managing information systems risk to IT experts instead of integrating it within the general organisational risk management. There is

great need for organisations to develop a comprehensive and all inclusive policy on the use of information systems to reduce the risks arising from insiders (employees).

Njeri (2010) did a survey on strategic risk management practices by large commercial banks in Kenya. The research was a census survey on 13 large commercial banks in Kenya. The objectives of the study were to determine the strategic risk management practices adopted by large commercial banks and the challenges faced by these banks in their strategic risk management practices. The researcher established that there is an appreciable level of strategic risk management practice among the large commercial banks as exhibited by the findings. The study found out that banks have adopted strategic risk management practices and though there was a slight variance in approach between the banks, the most commonly adopted practice centered on strategic risk assessment, evaluation, monitoring, control and reporting. These strategic risk management practices are discussed in the ensuing sections in detail. The researcher recommends that banks invest more in automated strategic risk management tools which would enhance analysis and profiling of their strategic risk. It would also be appropriate to appoint senior managers as the strategic risk champions.

Thuku (2011) did a study on the relationship between risk management practices and organizational performance of Universities in Kenya, the study adopted a descriptive research design. The data was collected using a semi-structured questionnaire from the staff members of various universities working in the departments of finance, administration and security. The data was coded and entered into a computer for analysis. The data was analysed using descriptive and inferential statistics. The data was analysed using both descriptive statistics such as mean and standard deviation and inferential statistics particularly multiple regression. The findings were presented using pie charts, tables and figures. The study found that use of highly qualified staff, competent personnel, training and holding of seminars on risks management and advancement of management systems greatly contributed to increased performance on student enrolment. The study recommended than Universities and other institutions invest on risk management practices to counter the effects of operational risks.

Korir (2012) conducted a study on the effects of credit risk management practices on financial Performance of deposit taking microfinance institutions in Kenya. The purpose of this study was to investigate the impact of credit risk management practices on the financial performance of Deposit Taking Microfinance institutions in Kenya. The study used a descriptive survey approach in collecting data from the respondents. The number of the respondents was 36 staff working in all licensed Deposit taking microfinance institutions in Kenya. From the findings, the study concludes that Deposit taking microfinance institutions in Kenya adopted credit risk management practices to counter credit risks they are exposed to and it also concluded that Deposit taking microfinance institutions adopt various approaches in screening and analysing risk before awarding credit to clients to minimize on loan loss. This included establishing capacity/competition and conditions and use of collateral/security and character of borrower were used in screening and risk analysis in attempt to reduce manages credit risks. The study further concludes that there was a positive relationship between credit risk management practices and the financial performance of Deposit taking microfinance institutions.

www.ajpojournals.org

3.0 RESEARCH METHODOLOGY

The study used explanatory research design. The study used stratified random sampling to select respondents from target population comprising of managers of 46 commercial banks, 52 Micro Finance institutions (MFIs) and 200 SACCOs and a sample size of 239 respondents obtained. Data was collected using questionnaires. Descriptive statistics was presented, while inferential statistics was done using Pearson product moment correlation.

4.0 RESULTS

4.1 Descriptive statistics

4.1.1 Descriptive Statistics of ownership structure

From the study, the mean of each statement explaining ownership structure was computed from a five point likert scale. The respondent's views on the ownership structure were sought and their responses presented in table 1. The findings showed that all the statements representing ownership structure had a mean of above 3.8, indicating that the respondents highly rated the ownership structure. The overall skewness was -2.94 and kurtosis was 11.30, indicating that the distribution of values deviates from the mean.

Table 1: Descriptive Statistics of Ownership Structure

	Mean	Std. Deviation	Skewness	Kurtosis
The ownership structure has a significant effect on bank risk.	4.3686	1.09336	-1.955	3.039
The type of ownership may increase or decrease depending on the objectives of shareholders and bank risk managers	3.9788	.95627	-1.489	2.457
The ownership structure influences the decisions of managers and their risk aversion.	4.0339	1.04724	-.942	.324
Public ownership reduces operational risk due to resource implicit state guarantee.	4.1059	1.03626	-1.255	1.065
Increasing public ownership is related to inefficient financial system	3.8178	1.12451	-1.048	.610
Private ownership encourages more respects commitments to depositors and creditors, which reduces the risk of default of the bank.	4.1949	1.02113	-1.391	1.486
Public banks are less sensitive to macroeconomic shocks in comparison with the private banks	3.8008	1.25077	-1.038	.100
Private banks have a goal of maximization profit that encourage more transactions in the capital market and deposits	4.0593	1.13956	-1.266	.801

Public banks have the protection of the state which their precedence over private banks.	3.9661	1.11418	-1.143	.735
Foreign ownership may influence the risk of local banks in several ways.	3.8771	1.23674	-1.112	.330
Mean	**4.0428**	**.65945**	**-2.944**	**11.304**

From the 10 statements used in explaining ownership structure characteristics had an overall mean score of 4.04 indicating that respondents agreed on its ownership structure. This implies that the ownership structure was highly rated among the respondents.

4.1.2 Descriptive Statistics of Performance of financial institutions

The respondent's views on the performance of financial institutions were sought and their responses presented in table 2. The findings showed that all the statements representing performance of financial institutions had a mean score of above 3.9, indicating that the respondents highly rated the variable.

Table 2: Descriptive Statistics of performance of financial institutions

	Mean	**Std. Deviation**	**Skewness**	**Kurtosis**
The financial institution uses ROA to measure performance	4.3686	1.09336	-1.955	3.039
Financial institution is keen on increase its branches	3.9788	.95627	-1.489	2.457
Our institution has grown significantly in terms of revenue and profitability over the last one year	4.3178	1.20489	-1.884	2.413
Risk function has played a part in financial growth of our institution	4.1102	.96566	-1.796	3.709
Risk strategy has been key in the financial growth of our institution	4.4322	1.03125	-2.258	4.725
The risk management practices has led to increase in net profit	4.0339	.90325	-1.709	3.903
The risk management procedure has led to the increase in gross profit	4.3856	1.02710	-2.089	3.998
The risk management procedure has led to the increase in interest income	4.0890	.88277	-1.560	3.613
The risk management practices has led to the increase in earnings before the interest and taxes	4.4788	.95627	-2.442	5.993
The risk management practices has led to the increase in reduced defaults	4.1695	.84355	-1.617	4.085
Mean	**4.3000**	**.79846**	**3.104**	**24.181**

The overall skewness was 3.10 and kurtosis was 24.18, indicating that the distribution of values deviates from the mean. From the 10 statements used to explaining financial performance of financial institutions had an overall mean score of 4.30 indicating that respondents agreed on its performance of financial institutions. This implies that the performance of financial institutions was highly rated by the respondents.

4.1.3 Descriptive Statistics of Risk identification

The respondent's views on risk identification were sought and their responses presented in table 3. The findings showed that all the statements representing risk identification had a mean score of above 3.83, indicating that the respondents highly rated the variable. The overall skewness was 2.436 and kurtosis was 6.931, indicating that the distribution of values deviates from the mean. From the 10 statements used to explaining risk identification had an overall mean score of 4.013 indicating that respondents agreed on its risk identification measure.

Table 3: Descriptive Statistics of Risk identification

	Mean	Std. Deviation	Skewness	Kurtosis
Risk identification is vital for effective risk management	4.3178	1.20489	-1.884	2.413
Through information sharing banks can be able to identify various risk the face in lending to the borrower,	4.1102	.96566	-1.796	3.709
It will help them in the mitigation of the risk through debt collection or credit sanctions	3.9068	1.17772	-1.126	.599
Risk identification is positively significant to influence risk management practices	3.8305	1.0900	-1.010	.545
It is important as it ensures that the risk management function is established throughout the whole corporation	4.0466	1.10027	-1.233	.907
Risk identification helps to sort risk according to their importance	4.0720	1.06347	-1.151	.905
Risk identification assists the management to develop risk management strategy to allocate resources efficiently	3.9831	1.17044	-1.380	1.201
Risk inspection is done by managers	3.7839	1.09928	-.880	.272
Roles and responsibilities for risk identification are clearly defined	3.7966	1.15268	-.890	-.017

Risk rating and collateral enhances risk identification	4.0720	1.15183	-1.372	1.188
Mean	**4.0133**	**.79107**	**-2.436**	**6.931**

4.1.4 Descriptive Statistics of Risk analysis

The respondent's views on risk analysis were sought and their responses presented in table 4. The findings showed that all the statements representing risk identification had a mean score of above 3.78, indicating that the respondents highly rated the variable. The overall skewness was -2.67and kurtosis of 8.61, indicating that the distribution of values deviates from the mean. From the 7 statements used to explaining analysis had an overall mean score of 4.06 indicating that respondents agreed on its risk analysis measures.

Table 4: Descriptive Statistics of Risk analysis

	Mean	Std. Deviation	Skewness	Kurtosis
Credit information sharing among commercial banks can help them in their risk analysis	4.4322	1.03125	-2.258	4.725
It is useful to classify the different risks according to the amount of damage they possibly cause	4.0339	.90325	-1.709	3.903
The application of modern approaches to risk measurement, particularly for credit and overall banking risks is important for banks	4.0636	.95438	-1.253	1.815
The need to adopt new measurement approaches is particularly critical for banks because of the role play	4.0212	1.07366	-1.187	.743
Risk analysis and assessment comprises identification of the outcomes	4.0805	1.09052	-1.432	1.781
Risk analysis and assessment comprises estimation the magnitude of the consequences	3.9915	.98927	-1.472	2.115
Risk analysis and assessment comprises the probability of those outcomes	3.7797	1.33774	-1.085	.008
Mean	**4.0575**	**.72561**	**-2.668**	**8.605**

4.1.5 Descriptive Statistics of Risk Evaluation

The respondent's views on the risk evaluation were sought and their responses presented in table 5. The findings showed that all the statements representing risk evaluation had a mean score of above 3.78, indicating that the respondents highly rated the variable.

www.ajpojournals.org

Table 5: Descriptive Statistics of Risk Evaluation

	Mean	**Std. Deviation**	**Skewness**	**Kurtosis**
Our organization identifies and evaluates the risks and decide on precautions	4.3856	1.02710	-2.089	3.998
Controls exist for approving decisions regarding financing alternatives and accounting principles, practices, and methods	4.0890	.88277	-1.560	3.613
The organization record the findings on the risks identified and implement the measures	4.1229	.93499	-1.508	2.968
Auditors understand companies' risk	3.9449	1.02373	-1.233	1.471
Easy to assess risks at the companies	3.7839	1.24794	-.975	.029
Auditor's involvement in risk evaluation process	3.7839	1.05987	-.943	.526
Auditors identify changes in financial performance	3.8178	1.18351	-1.164	.520
Risks are evaluated with assumptions and uncertainties being clearly considered and presented.	3.8814	1.23198	-1.149	.320
Risk is evaluated in terms of both quantitative and qualitative value.	3.9492	1.16215	-1.344	1.147
Risks are subdivided into individual levels for further analysis	3.8729	1.10740	-.978	.371
Mean	**4.0353**	**1.01611**	**1.991**	**19.529**

The overall skewness was 1.99 and kurtosis of 19.53, indicating that the distribution of values deviates from the mean. From the 10 statements used to explaining risk evaluation had an overall mean score of 4.04 indicating that respondents agreed on risk evaluation measures.

4.1.6 Descriptive Statistics of Risk Monitoring

The respondent's views on the risk monitoring were sought and their responses presented in table 6. The findings showed that all the statements representing risk monitoring had a mean score of above 3.80, indicating that the respondents highly rated the variable. The overall skewness was -3.32 and kurtosis was 14.06, indicating that the distribution of values deviates from the mean.

From the 10 statements used to explaining risk monitoring had an overall mean score of 4.07 indicating that respondents agreed on risk monitoring measures.

Table 6: Descriptive Statistics of Risk Monitoring

	Mean	Std. Deviation	Skewness	Kurtosis
Shareholders demand information in order to judge the efficiency of the risk management system	4.4788	.95627	-2.442	5.993
Effective risk management requires a reporting and review structure	4.1695	.84355	-1.617	4.085
Ensure that risks are effectively identified and assessed	4.0381	.95127	-1.094	1.336
Ensures appropriate controls and responses are in place.	3.8390	.98474	-.993	.731
Monitoring is the last step in the corporate risk management process	3.9322	1.16494	-1.056	.322
Risk monitoring can be used to make sure that risk management practices are in line	4.0805	.97516	-1.412	2.245
Proper risk monitoring helps bank management to discover mistake at early stage	3.9534	1.05687	-1.172	1.186
The area of interest rate risk is a major concern and on-going risk monitoring and is important for banks,	4.0678	.97831	-1.264	1.625
Risk monitoring helps the bank management to discover mistake at early stage	4.0297	1.10471	-1.396	1.538
Risk monitoring enables the shareholders to assess the status of the corporation thoroughly	4.0890	1.10151	-1.256	.889
Mean	**4.0678**	**.63257**	**-3.319**	**14.063**

4.2 Factor Analysis

4.2.1 Ownership structure

The factor analysis results of ownership structure, indicated that the KMO was 0.774 and the Bartlett's Test of sphericity was significant (p<.05). The Varimax rotated principle component resulted in three factor loading on ownership structure variable that explained 58.72 % of variance with Eigen values larger than 1 (table 7). Only the increasing public ownership is related to

inefficient financial system was deleted and the other statements retained, computed and renamed ownership structure for further analysis.

Table 7: Factor Analysis of ownership structure

	Component		
	1	2	3
The ownership structure has a significant effect on bank risk.	.818		
The type of ownership may increase or decrease depending on the objectives of shareholders and bank risk managers	.814		
The ownership structure influences the decisions of managers and their risk aversion.	.698		
Public ownership reduces operational risk due to resource implicit state guarantee.	.565		
Increasing public ownership is related to inefficient financial system			
Private ownership encourages more respects commitments to depositors and creditors, which reduces the risk of default of the bank.		.608	
Public banks are less sensitive to macroeconomic shocks in comparison with the private banks			.715
Private banks have a goal of maximization profit that encourage more transactions in the capital market and deposits		.817	
Public banks have the protection of the state which their precedence over private banks.		.541	
Foreign ownership may influence the risk of local banks in several ways.			.749
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.774		
Bartlett's Test of Sphericity (df-45)	.000		
Total Variance Explained	58.718		

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 6 iterations.

4.2.2 Financial performance

The financial performance factor analysis results had KMO of 0.587 and a significant (p<.05) Bartlett's Test of Sphericity (Table 8). The varimax rotated principle component applied resulted in four factors loading that explained 70.15 % of the variance. Since all the statements conform, they were computed and renamed financial for further analysis.

Table 8: Factor Analysis of Financial performance Rotated Component Matrix[a]

	Component			
	1	2	3	4
The financial institution uses ROA to measure performance	.706			
Financial institution is keen on increase its branches	.680			

Our institution has grown significantly in terms of revenue and profitability over the last one year		.869	
Risk function has played a part in financial growth of our institution		.863	
Risk strategy has been key in the financial growth of our institution	.864		
The risk management practices has led to increase in net profit	.892		
The risk management procedure has led to the increase in gross profit			.862
The risk management procedure has led to the increase in interest income			.564
The risk management practices has led to the increase in earnings before the interest and taxes	.716		
The risk management practices has led to the increase in reduced defaults	.783		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.587		
Bartlett's Test of Sphericity (df-45)	.000		
Total Variance Explained	70.115		

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 4 iterations.

4.2.3 Risk Identification

The factor analysis results of risk identification, indicated that the KMO was 0.836 and the Bartlett's Test of sphericity was significant (p<.05). The Varimax rotated principle component resulted in two factor loading on risk identification variable that explained 51.62 % of variance with Eigen values larger than 1 (table 6).

Table 9: Factor Analysis of Identification Rotated Component Matrix[a]

	Component	
	1	2
Risk identification is vital for effective risk management	.757	
Through information sharing banks can be able to identify various risk the face in lending to the borrower,	.819	
It will help them in the mitigation of the risk through debt collection or credit sanctions	.752	
Risk identification is positively significant to influence risk management practices		.752
It is important as it ensures that the risk management function is established throughout the whole corporation	.580	
Risk identification helps to sort risk according to their importance		.621
Risk identification assists the management to develop risk management strategy to allocate resources efficiently		
Risk inspection is done by managers		
Roles and responsibilities for risk identification are clearly defined		.516

Risk rating and collateral enhances risk identification	.544
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.836
Bartlett's Test of Sphericity (df-45)	.000
Total Variance Explained	51.623

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 3 iterations.

Two statements were deleted; risk identification assists the management to develop risk management strategy to allocate resources efficiently and risk inspection is done by managers. However all the other statements were retained computed and renamed identification for further analysis.

4.2.4 Risk Analysis

The risk analysis factor analysis results had KMO of 0.802 and a significant (p<.05) Bartlett's Test of Sphericity (Table 10). The varimax rotated principle component applied resulted in two factors loading that explained 64.18 % of the variance. Since all the statements conform, they were computed and renamed analysis for further analysis.

Table 10: Factor Analysis of Risk Analysis Rotated Component Matrix[a]

	Component	
	1	2
Credit information sharing among commercial banks can help them in their risk analysis	.729	
It is useful to classify the different risks according to the amount of damage they possibly cause	.738	
The application of modern approaches to risk measurement, particularly for credit and overall banking risks is important for banks	.834	
The need to adopt new measurement approaches is particularly critical for banks because of the role play	.625	
Risk analysis and assessment comprises identification of the outcomes	.755	
Risk analysis and assessment comprises estimation the magnitude of the consequences		.725
Risk analysis and assessment comprises the probability of those outcomes		.891
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.802	
Bartlett's Test of Sphericity (df-21)	.000	
Total Variance Explained	64.181	

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 3 iterations.

4.2.5 Risk Evaluation

The factor analysis results of risk evaluation, indicated that the KMO was 0.789 and the Bartlett's Test of sphericity was significant (p<.05). The Varimax rotated principle component resulted in two factor loading on risk evaluation variable that explained 52.77 % of variance with Eigen values larger than 1 (table 11). Only the risk is evaluated in terms of

both quantitative and qualitative value was deleted and the other statements retained, computed and renamed evaluation for further analysis.

Table 11: Factor Analysis of Risk Evaluation Rotated Component Matrix[a]

	Component	
	1	2
Our organization identifies and evaluates the risks and decide on precautions		.524
Controls exist for approving decisions regarding financing alternatives and accounting principles, practices, and methods		.704
The organization record the findings on the risks identified and implement the measures		.758
Auditors understand companies' risk		.627
Easy to assess risks at the companies	.519	
Auditor's involvement in risk evaluation process	.817	
Auditors identify changes in financial performance	.784	
Risks are evaluated with assumptions and uncertainties being clearly considered and presented.	.712	
Risk is evaluated in terms of both quantitative and qualitative value.		
Risks are subdivided into individual levels for further analysis		.707
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.789	
Bartlett's Test of Sphericity (df-45)	.000	
Total Variance Explained	52.775	

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 3 iterations.

4.2.6 Risk Monitoring

The factor analysis results of risk monitoring, indicated that the KMO was 0.822 and the Bartlett's Test of sphericity was significant (p<.05). The Varimax rotated principle component resulted in three factor loading on risk monitoring variable that explained 63.39 % of variance with Eigen values larger than 1 (table 12). Since all the statements conform, they were computed and renamed monitoring for further analysis.

Table 12: Factor Analysis of Risk Monitoring Rotated Component Matrix[a]

	Component		
	1	2	3
Shareholders demand information in order to judge the efficiency of the risk management system	.697		
Effective risk management requires a reporting and review structure	.564		
Ensure that risks are effectively identified and assessed	.518		
Ensures appropriate controls and responses are in place.			.803
Monitoring is the last step in the corporate risk management process			.836
Risk monitoring can be used to make sure that risk management practices are in line	.735		

Proper risk monitoring helps bank management to discover mistake at early stage	.813	
The area of interest rate risk is a major concern and on-going risk monitoring and is important for banks,		.694
Risk monitoring helps the bank management to discover mistake at early stage		.763
Risk monitoring enables the shareholders to as¬sess the status of the corporation thoroughly		.735
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.822	
Bartlett's Test of Sphericity (df-45)	.000	
Total Variance Explained	63.390	

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 5 iterations.

4.3 Correlations

Pearson moment correlation was used to describe the relationship between independent and dependent variables, depending on the level of measurement. The relationship between independent variable (risk management practices) and dependent variable (performance of financial institutions) were investigated using Pearson product-moment correlation coefficient as shown in table 13. There was a positive relationship between risk identification and performance of financial institutions [r = .306, n = 236, p<.05]. This indicated the more risk identification the higher the performance of financial institutions.

A positive relationship exist between risk analysis and performance of financial institutions [r = 0.385, n = 236, p<.05]. This showed that an increase in risk analysis the higher the performance of financial institutions.

Table 13: Pearson moment correlation Results

	Financial	size of the firm	Identifi cation	Analysis	Evaluation	Monit oring	Owne rship
Financial	1						
size of the firm	.091	1					
Identification	.306**	.052	1				
Analysis	.385**	-.076	.334**	1			
Evaluation	.813**	.018	.257**	.295**	1		
Monitoring	.206**	-.029	.011	.117	.144*	1	
Ownership	.468**	.055	.269**	.325**	.265**	.026	1

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).
c. Listwise N=236

A positive influence of risk evaluation on performance of financial institutions [r = .813, n =236, p<.05] was obtained. Risk monitoring had a positive relationship on performance of financial institutions [r = .206, n = 236, p<.05]. This showed that the more there is risk monitoring the higher the performance of financial institutions. The ownership structure had a positive relationship performance on financial institutions [r = .468, n = 236, p<.05]. This implies that an increase in ownership structure the, more the performance of financial institutions. The findings indicated that

the risk management practices (identification, analysis, evaluation and monitoring) influence the performance of financial institutions.

4.4 Multiple Regression Analysis

A hierarchical multiple regression analysis was applied in order to establish the moderating effect of ownership structure on the relationship between risk management practices and performance of financial institutions. The first model represented the control variable which was the size of the financial institution and model 2 was the independent variables risk management practices as well ownership structure moderator. Model 3, 4, 5 and 6 represented the interaction effect between the risk management practices and ownership structure (Table 14).

Table 14: Hierarchical Multiple regression

Variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Constant	-1.010E-013	1.006E-013	.001	.004	.004	.008
Size of Financial institution,	-.032	-.046	-.046	-.057	-.049	-.051
Identification		.026	.028	.115*	.195*	.196*
Analysis		.084	.083*	.047	.098*	.097*
Evaluation		.711*	.710*	.706*	.629*	.633*
Monitoring		.091*	.092*	.102*	.094*	.096*
Ownership		.232*	.231*	.270*	.264*	.269*
Identification* Ownership			-.003	-.202*	-.328*	-.327*
Analysis* Ownership				.155*	.053	.047
Evaluation* Ownership					.255*	.249*
Monitoring* Ownership						-.052
R Square	.001	.747	.747	.759	.772	.772
Adjusted R Square	-.003	.741	.740	.751	.762	.762
R Square Change	.001	.746	.000	.012	.012	.001
F Change	.244	135.295	.013	11.292	12.037	.736

*significant at 0.05 \

4.4.1 Model 1: Control

Model 1 showed the control variable size of the financial institution had an R squared of 0.001 and an adjusted R square of 0.003. The control variables could explain 0.3% of the variable of performance of financial institutions (F=1.532).

4.4.2 Model 2: Control and Direct Effect

Model 2, representing independent and moderator variable had an adjusted R square of 0.741. The risk management practices and ownership structure was significant p<0.01) and explain 74.1% performance of financial institutions. The risk evaluation (β=0.711) and risk monitoring (β=0.091) management practices had significant effects, together with ownership structure (=0.232). However risk identification (β=0.026), and risk analysis (β=0.084), were not significant. This explains the direct relationship that exists between risk evaluation, monitoring management practices and ownership structure influenced the performance of financial institutions.

The coefficients results (β=0.026, P>0.05) showed that the risk identification was not significant which implies that fail to reject the null hypothesis (H_{O1}) stating that there is no significant effect of risk identification on performance of financial institutions.

The risk analysis variable was not significant; (β=0.084, P>0.05) which implies that we fail to reject the null hypothesis **(H_{O2})** stating that there is no significant effect of risk analysis on performance of financial institutions. The results showed that the risk evaluation (β=0.084, P<0.05) significantly influence performance of financial institutions**.** This implies that we reject the null hypothesis **(H_{O3})** stating that there is no significant effect of risk evaluation on performance of financial institutions**.** From the findings showed that risk monitoring significantly influence the performance of financial institutions (β=0.091, P<0.05) which implies that we reject the null hypothesis **(H_{O4})** stating that there is no significant effect of risk monitoring on the performance of financial institutions. The ownership structure significantly influence the performance of financial institutions (β=0.091, P<0.05). Effective risk management also means the execution of a reporting and review structure to ensure that risks are identified and assessed, after which appropriate controls and responses are set in place.

The risk evaluation and monitoring management practices enhanced the performance of financial institutions positively, while risk analysis and identification does not influence the relationship. The findings showed ownership structure moderates the relationship between the risk management practices and performance of financial institutions. The ownership structure has a significant effect on financial institutions risk.

4.4.3 Interactions (Model 3, 4, 5 and 6)

To test the hypothesis H05, the "moderating effect of ownership structure", all the independent variables (risk identification, analysis, evaluation and monitoring) were multiplied with the ownership structure and the product used in the regression equation to establish the model 3, 4, 5 and 6. Model 3, 4, 5 and 6 represented the interaction between moderator and each independent variable. The results showed that there was significant effect of ownership structure as a moderator on the relationship between risk analysis (β=0.155), evaluation (β=0.255) and performance of financial institutions. However, risk identification (β=-0.003) and monitoring (β=-0.052) was not significant.

The ownership structure moderates the relationship between the risk analysis and risk evaluation management practices on performance of financial institutions. The ownership structure does not moderate the relationship between the risk identification, risk monitoring and performance of financial institutions. Examination of the interaction plot showed an enhancing effect that as risk management practices increased and ownership structure change, the financial performance increased as shown in Figure 1.
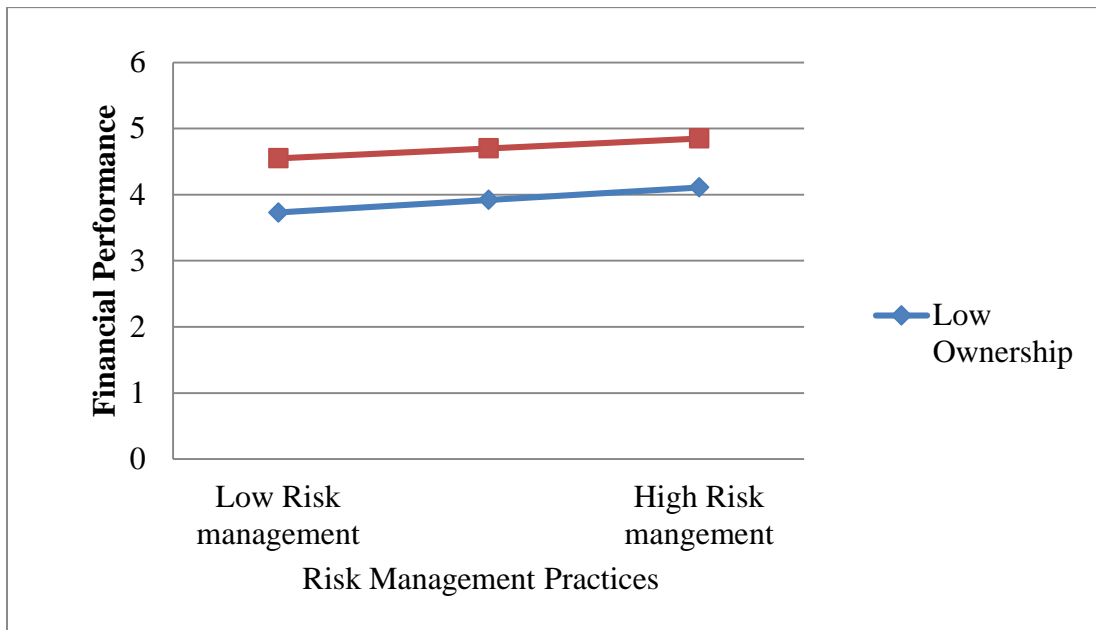
Figure 1: The Interaction Effect of Ownership Structure

The finding implies that ownership structure positively moderate the relationship between risk analysis and evaluation on performance of financial institutions. This agrees with Strutt (2003), that risk analysis now goes beyond evaluation to include some of the decision making processes of risk management. However, the ownership structure does not moderate the relationship between risk identification and monitoring on performance of financial institutions. Monitoring is the final step in the corporate risk management process (Pausenberger & Nassauer, 2002). Control by the management board is insufficient to ensure the effective functioning of the risk monitoring system. This is because the management board members do not have sufficient time to exercise extensive control. The supervisory board too is obligated to control the risk management process and supported by the auditor. The ownership structure influences the decisions of managers and their risk aversion.

5.0 SUMMARY OF FINDINGS CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Findings

There was a positive relationship between risk identification and performance of financial institutions [$r = .306$, $p<.05$]. From the model the risk identification had no significant relationship ($P>0.05$) with performance of financial institutions. The null hypothesis **(H$_{O1}$)** that there is no significant effect of risk identification on performance of financial institutions was not rejected. Through risk identification the organization is able to study activities and places where its resources are exposed to risks. Risk analysis had a positive relationship with the performance of financial institutions [$r=.385$, $p<.05$]. An increase in risk analysis leads to higher performance of financial institutions. Most of these financial institutions have adopted risk management practice to effectively manage their portfolio. From the model the risk analysis had no significant relationship with financial performance ($P>0.05$). The null hypothesis **(H$_{O2}$)** stating that there is no significant effect of risk analysis on performance of financial institutions was not rejected.

In addition, there was a positive influence of risk evaluation [r = .813, p<.05] on the performance of financial institutions was obtained. The risk evaluation positively influenced the performance of financial institutions. The risk evaluation had positive relationship with performance of financial institutions (P<0.05). The null hypothesis **H$_{O3}$** stating that there is no significant effect of risk evaluation on performance of financial institutions was rejected**.** This indicates that for each increase in the risk evaluation**,** there is 0.821 increase in performance of financial institutions.

Risk monitoring [r = .206, p<.05] had a positive relationship performance of financial institutions. The more there was risk monitoring the higher the performance of financial institutions. A proper risk monitoring practices was used to ensure that risks are in line with financial institution's management goals in order to uncover mistakes at early stages. The risk monitoring had positive relationship on performance of financial institutions (P<0.05). The null hypothesis **(H$_{O4}$)** stating that there is no significant effect of risk monitoring on the performance of financial institutions was rejected.

The risk management practices and ownership structure explained 74.1% of performance of financial institutions and significant (p<0.01). This indicated that risk management was an important task of institutions in creating value for shareholders and customers. The presence of a proper risk management process enables a firm to reduce its risk exposure. The ownership structure moderates the relationship between the risk management practices and performance of financial institutions. The ownership structure had a significant effect on the financial institutions risk.

There was significant moderating effect of ownership structure on the relationship between risk analysis (β=0.155), evaluation (β=0.255) and performance of financial institutions. However, risk identification (β=-0.003) and monitoring (β=-0.052) was not significant. The finding implies that ownership structure positively moderate the relationship between risk analysis and evaluation on performance of financial institutions. The risk analysis goes beyond evaluation to include some of the decision making processes of risk management. Control by the management board was insufficient to ensure effective functioning of the risk monitoring system. This is because the management board members do not have sufficient time to exercise extensive control.

5.2 Conclusions of the Study

The risk management practices (identification, analysis, evaluation and monitoring) had positive relationship with the performance of financial institutions. The risk evaluation management practices highly predicted the performance of financial institutions.

The ownership structure moderates the relationship between the risk management practices and performance of financial institutions. The ownership structure moderates the relationship between the risk analysis and evaluation management practices on performance of financial institutions. The ownership structure does not moderate the relationship between the risk identification, risk monitoring and performance of financial institutions.

The risk management practices (identification, analysis, evaluation and monitoring) had positive relationship with the performance of financial institutions. The risk evaluation management practices highly predicted the performance of financial institutions.

5.3 Recommendation of the Study

The risk identification should be enhanced so as to enhance the performance of financial institutions. These may be achieved through establishing regulatory mechanism that can be adopted to enhance effective risk identification.

The study has established the importance of ownership structure as a system of corporate governance that significantly moderates the relationship between risk management practices and performance of financial institutions can exploit various risk management practices identification, analysis, evaluation and monitoring should be enhanced so as to bring efficiency in the performance of financial institutions. These may be achieved through establishment and implementation of risk identification, analysis, evaluation and monitoring policy framework which will significantly influence performance of financial institutions and enhance shareholder capabilities to identify, analyse, evaluate and monitor all risks that can hinder the financial institutions from achieving their set objectives.

REFERENCES

Asat, S.H., Maruhun, E.N.S., Haron, H., and Jaafar, M. (2015). *Enterprise risk management (ERM) and organisational performance: The case of housing developers in Malaysia*. MARIM International Conference, Langkawi

Berle, A.,& Means, G. (1932).*The Modern Corporation and Private Property* New York, NY: Macmillan.

Doliente, J.S. (2003). Determinants of Bank Net Interest Margins of Southeast Asia, retrieved from http://www.upd.edu.ph/~cba/docs/dp0310_jsd.PDF

Douma,S., George, R., & Kabir, R. (2006). Foreign and Domestic Ownership, Business groups, and Firm Performance: Evidence from a Large Emerging Market. *Strategic Management Journal 27* (7), 637-657.

Eccles, R.G. (1991). Performance Measurement Manifesto. *Hurra Business Review*, Vol. 69, No.1.

El-Hawary, D., Grais, W., & Iqbal, Z. (2007). Diversity in the regulation of Islamic financial institutions. *The Quarterly Review of Economics and Finance*, *46*(5), 778-800.

Gavrea, C., Ilies, L., & Stegerean, R. (2011). Determinants of organizational performance: The case of Romania. *Management and Marketing Challenges for the Knowledge Society 6*(2), 285–300.

Goergen, M., & Renneboog, L. (2001). Investment policy, internal financing and ownership concentration in the UK. *Journal of Corporate Finance*, *7*(3), 257-284

Hahm, J.H. (2004). Interest rate and exchange rate exposures of banking institutions in pre-crisis Korea. *Applied Economics*, Vol. 36 No. 13, pp. 1409-19.

Jensen, M. & Meckling, W. (1976). Theory of the firm: Managerial behavior, agency costs, and ownership structure. *Journal of Financial Economics, 3*(4), 305-360.

Judge, W.Q., Naoumova, I., and Koutzevoi, N. (2003). Corporate Governance and Firm Performance in Russia: An empirical study. *Journal of World Business 38*(4),385–396.

Linbo F.L. (2004). Efficiency versus risk in large domestic US banks. *Managerial Finance*, Vol. 30 No. 9, pp. 1-19.

Lundqvist, S.A. (2014). An exploratory study of enterprise risk management: Pillars of ERM. *Journal of Accounting, Auditing and Finance 29*(3), 393–429.

Muya, T. W., & Gathogo, G. (2016). Effect of working capital management on the profitability of manufacturing firms in NAKURU town, KENYA. *International Journal of Economics, Commerce and Management*, *4*(4), 1082-1105.

Niresh, A., & Thirunavukkarasu, V. (2014). *Firm size and profitability: A study of listed manufacturing firms in Sri Lanka*.

Saeidi, P., Sofian, S., Zaleha, S., and Abdul, B. (2014). A proposed model of the relationship between enterprise risk management and firm performance. *International Journal of Information Processing and Management 5*(2), 70–80.