

**THE CONTRIBUTION OF THE RISK MANAGEMENT TO THE
BUSINESS PERFORMANCE:
A CASE STUDY OF CRDB BANK PLC**

**THE CONTRIBUTION OF THE RISK MANAGEMENT TO THE
BUSINESS PERFORMANCE:
A CASE STUDY OF CRDB BANK PLC**

By

NIKANURU S PALLANGYO

**A Dissertation Submitted in Partial /Fulfilment of the Requirement for the Degree
of Master of Science in Accounting and Finance (MSC A&F) of Mzumbe
University**

2015

CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation titled “**The contribution of the risk management to the business performance a case of CRDB Bank Plc**” in partial/fulfilment of the requirements for award of the Master of Science in Accounting and finance.

Major Supervisor

.....
Signature

Internal Examiner

.....
Signature

External Examiner

.....
Signature

Accepted for the Board of.....

.....

DEAN/DIRECTOR, FACULTY/DIRECTORATE/SCHOOL/BOARD

DECLARATION AND COPYRIGHT

I, **Pallangyo Nikunuru**, declare that this research work is my own original work and that it has not been presented and will not be presented to any other academic Institutions for a similar or any other award.

Signature:

Date

©

This report is copyright material protected under the Berne Convention, the Copyright Act of 1999 and other international and national enactments, in that behalf, on intellectual property. It may not be reproduced by any means, in full or in part, except for short extracts in fair dealings, for research or private study, critical scholarly review or discourse with an acknowledgement, without the written permission, on behalf of both the author and Mzumbe University.

ACKNOWLEDGEMENT

First and foremost, I would like to express my gratitude, honour and heartiest thanks to Almighty God for giving me good health, courage and strength throughout my field work , and by his grace and helping hand enabled me to work well.

I am indebted to so many people and institutions to the extent that it is not possible to accord them due credit. However, I would like to extend my sincere and grateful thanks to my supervisor **Dr. Nsubili Isaga** for her constructive ideas and directions, which led me through my proposed research up to my research report.

My grateful thanks are also extended to my family and all other members who in one way or another have actively contributed to accomplishment of this task. I would like also to express my sense of gratitude to the CRDB Bank PLC management and staff for their corporation and disposing technical input to this research.

Special thanks are also extended to Mzumbe University for introducing this program which gives a great experience on conducting research.

Lastly, I would like to appreciate the support given to me by my best friends, my classmates, friends, brothers and sisters. May God bless them with success and happiness in their lives GLORY IS TO GOD.

DEDICATION

I, the author of this research paper, heartily dedicate this study to my beloved family, my parents Solomon and Elishiisa Pallangyo, my Grandmother Ndetaniswa A. Pallangyo and my lovely sister Neema. May God bless them to always stand on prayers and flourish in success.

ABBREVIATIONS AND ACRONYMS

MSC A&F	Masters of Science in Accounting and Finance
CRDB	Co-operative and Rural Development Bank
PLC	Public Limited Company
AIRMIC	Association of Insurance and Risk Management
IMR	Institute of Risk Management
ALARM	National forum for Risk Management in Public Sector
COSO	Committee of Sponsoring Organisations of the Tread way Commission
FERMA	Federation of European Risk Management Associations
CAS	Causality Actuarial Society
GRC	Governance Risk and Compliance
EPM	Enterprise Reform Management
RAM	Risk Management Authority
IIA	Institute of Internal Auditor
ISO	International Organisation for Standard
CIRS	Critical Incident Reporting System
RMP	Risk Management Programme
THB	Tanzania Housing Bank
NBC	National Bank of Commerce
IMF	International Monetary Fund
TCHC	Tanzania Consortium of Hospitals and Clinic
RMGs	Risk Management Guidelines
BOT	Bank of Tanzania

ABSTRACT

This research was carried out at CRDB Bank Plc with the aim of exploring the contribution of the risk management to the bank performance. The specific objectives of the study were to determine how the firm control risk in the business, to determine the contribution of risk management towards the business performance and to examine the risks that are frequently identified and reported by the CRDB Bank. The methods used in data collection were observation, interview and questionnaire. Collected data were analyzed using Ms Excel and statistical package for social sciences (SPSS), data presentation was based on tables and figures.

The study findings reveal that there is a strong relationship between risk management and bank performance, that CRDB bank policy, rules and regulations support the risk management strategy in the bank. Risk control involves using physical measures, techniques, tools and/or training staff to avoid, reduce, prevent or eliminate the perceived financial consequences and other undesirable results of risks.

The strong internal control and internal auditing of the bank has strong risk management strategies situation which increase bank performance. These risk management strategies help the bank to minimize the risks that affect its performance.

The study concludes that human resource in the bank is the major factor which helps in managing risk. These factor help in recruiting employees; consider the benefit and health of employee. Those professional and well motivated employees are able to reduce risks and manage unnecessary risks to happen.

CRDB bank Plc has high performance in its business due to good governance and risk management which help in managing well their projects and lead to good continuity of the business including security of the business.

The study recommends the overall responsibility of risk management vests in bank's board. The board should outline risk management strategy and formulate well-defined policies and procedures. Risk management department be made on portfolio or business line basis, to adopt a holistic approach judging the overall risk exposure in assessing and managing risk profile of the bank

TABLE OF CONTENTS

CERTIFICATION	i
DECLARATION AND COPYRIGHT	ii
ACKNOWLEDGEMENT.....	iii
DEDICATION.....	iv
ABBREVIATIONS AND ACRONYMS.....	v
ABSTRACT	vi
LIST OF TABLE	xi
CHAPTER ONE	1
INTRODUCTION AND BACKGROUND TO THE PROBLEM	1
1.1. Introduction.....	1
1.2. Background of the Study	1
1.3 Statement of the problem	4
1.4 Objectives of the Study.....	5
1.4.1 General objectives.....	5
1.4.2 Specific objectives	5
1.5 Research questions.....	5
1.6 Scope of the study	6
1.7 Significance of the study.....	6
1.8 Organization of the study.....	6
CHAPTER TWO	7
LITERATURE REVIEW	7
2.1 Introduction.....	7
2.2 Theoretical literature review	7
2.2.1 Origin of the term Risk	7
2.2.2 Classification of risks.....	8
2.2.3 Origin of risk management	8
2.2.4 Definitions of risk management.....	9
2.2.5 The concept of Risk management.....	10
2.2.6 Risk Identification.....	11

2.2.7 Risk Measurement	12
2.2.8 Risk Analysis or Assessment	13
2.2.9 Risk Control	14
2.2.10 Risk Monitoring	14
2.3 Empirical literature review	20
2.4 Synthesis and research gap in the literature reviewed	22
2.5 Conceptual framework	23
 CHAPTER THREE	 26
RESEARCH METHODOLOGY	26
3.1 Introduction	26
3.2 Type of the study	26
3.3 Research area	26
3.4 Units of analysis	26
3.5 Research design	27
3.6 Target Population	27
3.7 Sample size and Sampling techniques	27
3.7.1 Sample size	27
3.7.2 Sampling technique	28
3.8 Types and source of data	29
3.9 Data collection methods	29
3.9.1 Interview	29
3.9.2 Observation	30
3.9.3 Questionnaires	30
3.9.4 Literature survey	30
3.9.5 Documentation review	30
3.10 Data analysis methods	31
3.11 Validity and reliability of the data	31
3.11.1 Validity of the data	31
3.11.2 Reliability of the data	31

CHAPTER FOUR.....	33
FINDINGS, ANALYSIS AND DISCUSSIONS	33
4.1 Introduction.....	33
4.2 Respondent's characteristics	33
4.2.1 Gender.....	33
4.2.2 Position of Respondents.....	34
4.2.3 Level of Education	34
4.3 Control of the risk in the business.....	35
4.3.1 Internal control and internal auditing.....	35
4.3.3 Technology infrastructure	37
4.3.5 Bank Security System	39
4.4 Contribution of Risk management towards business performance.....	40
4.4.1 Risk management and Performance.....	41
4.4.3 Income benefits due to the interest from credits and loans.....	42
4.5 Risks which are frequently identified and reported in CRDB Bank Plc.....	44
4.5.1 Frequent identifying and reporting Credit risk in CRDB Bank Plc.....	45
4.5.2 Frequent identifying and reporting interest risk in the CRDB Bank Plc	46
4.5.3 Frequent identifying and reporting liquidity risk in the CRDB Bank.....	47
 CHAPTER FIVE	 48
DISCUSSION OF THE FINDINGS.....	48
5.1 Introduction.....	48
5.2 To determine how the firm control risk in the business.....	48
5.2.1 Internal control and internal auditing as control of risk in the organisation.	48
5.2.3 Bank insurance coverage as control of risk in the organisation.....	49
5.2.4 Technology infrastructure as control of risk in the organisation	49
5.2.5 Human resource as control of risk in the organisation.....	49
5.3 To determine the contribution of risk management towards business performance	50
5.3.1 Contribution of risk management towards business performance due to profits...	50
5.3.2 Contribution of risk management towards business performance due to income from interest	51
5.4 To examine the risks that are frequently identified and reported by the bank.....	51

5.4.1 Credit risk.....	52
5.4.2 Interest risk.....	52
5.4.3 Liquidity risk.....	53
5.4.4 Operational risk.....	53
CHAPTER SIX	54
CONCLUSION AND RECOMMENDATIONS	54
6.1 Introduction.....	54
6.2 Summary of the Study	54
6.3 Conclusion	55
6.3.1 Firms control the risk in the business	55
6.3.2 Contribution of Risk management towards business performance.....	56
6.3.3 Risks frequently identified and reported by the CRDB Bank Plc	57
6.4 Recommendations	57
6.5 Research limitations and Delimitation	57
6.5.1 Unavailability of data.....	57
6.5.2 Financial constraints.	58
6.6 Areas for Further Study	58
REFERENCES.....	59
APPENDIX	64

LIST OF TABLE

Table 3.1 Sample size	28
Table 4.1 Position of Respondents.....	34
Table 4.2 Insurance coverage.....	37
Table 4.3 Bank Security system.....	40
Table.4.4 Risk identified and reported in CRDB Bank Plc 2013	44
Table.4.5 Risk identified and reported in CRDB Bank Plc 2012	45

LIST OF FIGURES

Figure: 2.1 Conceptual framework model	25
Figure 4.1 Gender	33
Figure 4.2 Level of Education	35
Figure 4.3 Internal control and internal auditing	36
Figure 4.4 Technology infrastructure	38
Figure 4.5 Human Resource	39
Figure 4.6 Risk management and Performance	41
Figure 4.7 Financial benefit due to profit	42
Figure 4.8 Income benefits due to the interest from credits and loans bank provided to the clients	43
Figure 4.9. Frequent identifying and reporting Credit risk	46
Figure 4.10 Frequent identifying and reporting Interest risk	47

CHAPTER ONE

INTRODUCTION AND BACKGROUND TO THE PROBLEM

1.1. Introduction

The main focus of the research was to assess the contribution of the risk management to the business performance a case study of CRDB bank plc. This part explains the background information of the problem, statement of the research problems, and specific objective, research questions, significance of the research and significance of the study, limitation and delimitation of the study.

1.2. Background of the Study

The study of risk management began after World War II. Risk management was long associated with house of market insurance to protect individuals and companies from losses associated with accidents. Other forms of risk management, alternative to insurance surfaced during the 1950s when market insurance was preserved as very costly and incomplete for protecting against pure risk. The use of derivatives as risk management instrument arose during 1970s, and expanded rapidly during 1980s as companies intensified their financial risk management. International risk management regulation began in the 1980s, and financial firm developed internal risk management models and capital calculation formulas to hedge against unanticipated risks and reduce regulatory capital. Concomitantly, governance of risk management become essential, integrated risk management was introduced and the chief risk officer position were created. Nonetheless, these regulations and governance rules and risk management methods failed to prevent financial crisis that began in 2007 (Dionne, 2013).

The past two decades have seen a dramatic change in the roles of risk management in corporations. Twenty years ago, the job of corporate risk manager typically, the low level position in the corporate treasury involved mainly the purchases of insurance. At the same time, treasurers were responsible for hedging of interest rate and foreign exchange exposures. Over the past ten years, however, the corporate risk has

expanded well beyond the insurance and the hedging of the financial exposures to include the variety of other kinds of risks notably operational risk, reputational risk and most recently strategic risk. What's more, at large and growing number of companies, the risk management function was directed to the senior executive with the title of chief risk officer and overseen by the board of directors charged with monitoring the risk measures and setting limit for these measures (Stulz, 1996).

Risk management is the central part of any organisation's strategic management. It is the process whereby organisations methodologically address the risks attached to their activities with the goal of achieving sustainable benefits within each activity and across the portfolio of all activities. The focus of good risk management is identification and treatment of these risks. Its objective is to add maximum sustainable value to all activities of the organisation. It measures the understanding of the potential upwards and downwards of all those factors which can affect organisation. It increases the probability of success and reduces the probability of failure and the uncertainty of achieving the organisation's overall objectives (AIRMIC, ALARM & IRM, 2002).

Risks in financial services are larger in scope and scale than ever before. Along with revenue maximization and operational cost minimization, risk management has moved to centre stage in defining superior performance. Differences in risk management philosophy and technique can produce prosperity, mediocrity, or failure. No senior management of today's financial institutions can perform his function without a vastly expanded understanding of the dimensions of risk and the various tools to manage it. Banks are in the business of risk. Many of these risks are of a traditional sort: credit risk, interest rate risk, liquidity risk. However, numerous risks are more recent, such as regulatory risk, currency risk, and human resources risk. The past couple of decades have seen dramatic losses, in the global as well as local, banking industry, (Tabassum, Haneef, Ramzan, Rana, Ishaq and Karim 2012).

Firms that had been performing well suddenly announced large losses due to credit exposures that turned sour, interest rate positions taken, or derivative exposures that may or may not have been assumed to hedge balance sheet risk. In response to this,

banks have almost universally embarked upon an upgrading of their risk management and control systems, (Ibid)

Banking sector have been delivering services to consumers and businesses remotely for years. Continuing innovation and competition among banking sector and new market entrants has allowed for a much wider array of banking products and services for retail and wholesale banking customers. These include traditional activities such as accessing financial information, obtaining loans and opening deposit accounts, as well as relatively new products and services such as electronic bill payment services, personalized financial “portals,” account aggregation and business-to-business market places and exchanges. During this many problems arises in banking sectors, one of the major problem is customer fail to return loan and resultantly they become non-performing. This may include the capacity to pay and intention to pay, banks have to verify it prior approval of loans through their procedures of risk management that a customer may have the capacity to repay the loan in future or it went to default (Hasan and Wall, 2004).

According to BOT (2010) institutions may have different risk management systems depending on their sizes and complexity. Due to this, BOT requires each institution to prepare a comprehensive Risk Management Programme (RMP) tailored to its needs and circumstances under which it operates. The RMPs should be reviewed at least annually.

However, some managers have reacted to this daunting task of risk management, by pulling back from risk. They decline to accept transactions where the risk is significant (i.e. long-term, fixed-rate loans) or they transfer risk (e.g., hedging). While these techniques have an important place in the risk management process, they can also compromise a financial institution's value through excessive risk avoidance. Placing the firm at the appropriate point between excessive risk acceptance and avoidance is what has separated the winners from the losers. Nonetheless, the overwhelming majority of the risks facing the banking firm are in their on-balance-sheet businesses. It is here that the discussion of risk management and the necessary procedures for risk management and control, developed in the recent past, has centred (Greuning & Bratanovic, 2003),

1.3 Statement of the problem

Risk management is recognized in today's business world as an integral part of good management practice. In its broadest sense, it entails the systematic application of management policies, procedures and practices to the tasks of identifying, analyzing, assessing, treating and monitoring risk. Financial institutions are exposed to various risks in pursuit of their business objectives; the nature and complexity of which has changed rapidly over time. The failure to adequately manage these risks exposes financial institutions not only hampering the profitability as their earnings are converting in to bad debts but also increasing interest rate and causing economic slowdown, ultimately rendered them unsuccessful in achieving their strategic business objectives. In the worst case, inadequate risk management may result in circumstances so catastrophic in nature that financial institutions cannot remain in business, (Tabassum et al, 2012).

The CRDB bank Plc brings its best effort to improve risk management continuously to address and reduce the Non Performing Loans, one of the major problems of banks as it hampering the profitability. CRDB Bank Plc has delivered a record performance for the year ended 31 December 2012. Profit before the taxation rose by 104% to TZS 4.114 billion from TZS 2.016 billion in 2011. Income growth was driven by growth of wholesale microfinance lending, well diversified income from non-core products and services, proactive risk management and discipline on expenses, (Annual Report CRDB 2012).

Despite the importance of managing risk, policies, procedures and practices to the tasks of identifying, analyzing, assessing, treating and monitoring risk by CRDB bank Plc still there is non performing loans which increase credit risk in the bank.

According to Managing Director Report 2013 noted that: "the loan impairment remained a challenge to the bank and we are steadfastly working to reduce it to not more than 5% of the loan portfolio which stood at TZS 1.807 billion as of December 2013." In Tanzania for example, Meridian BIAO Bank and the Tanzania Housing Bank (THB) were closed in 1990s, due to non-performing loans and almost in the same period, i.e. 1995/1996 the National Bank of Commerce (NBC) and the Cooperative and Rural Development Bank (CRDB) combined wrote off loans

equivalent to Tshs 122 billion (US\$ 112million) (IMF, 1999). These findings indicate that there is a lack of proper credit risk management system.

That it is possible to investigate the contribution of risk management to the business performance; in essence that most of the firms as well as individuals are affected with various risks in their operation. The performance of the banks differs due to the risks facing the bank industries and how the banks manage those risks. It is these variances that study will focus to get better understanding on how the risk management contributes to the business performance.

1.4 Objectives of the Study

1.4.1 General objectives

The overall objective of this study is to explore the contribution of the risk management to the business performance.

1.4.2 Specific objectives

Specific objectives that will guide this study include to:

- i. To determine how the bank control risk in the business.
- ii. To determine the contribution of risk management towards business performance of CRDB Bank Plc.
- iii. To examine the risks that are frequently identified and reported by the CRDB Bank Plc.

1.5 Research questions

The major questions that the researcher will be testing in order to address the contribution of risk management in business performance are;

- i. How the firm control risk in the business?
- ii. What are the contributions of risk management towards the business performance?
- iii. What are the risks frequently identified and reported by the CRDB Bank Plc?

1.6 Scope of the study

This study focuses on the contribution of risk management in the business performance whereby the researcher investigate how risk management in the firm contribute the performance of the business. The study conducted in CRDB Bank Plc since it wasn't easy to conduct this study in all companies in the country due to the time factor and the size and the geographical distribution of the population. CRDB Bank Plc has been chosen due to the fact that it is among the bank in Tanzania which currently showed good performance and successful in risk management. Lastly, CRDB Bank Plc is highly accessible and this has made the researcher assumes that its accessibility could have effects on the study development.

1.7 Significance of the study

It is expected that the findings of this research will be important in various ways as follows:

- i. It will help the CRDB Bank Plc to understand the contribution of risk management in the business performance.
- ii. It will help the bank to identify various risks facing the business and how firms will benefit from managing these risks.
- iii. It will help the firms to broaden existing knowledge on the various methods of controlling risks so as to increase their performance. .

1.8 Organization of the study

The study is organized in six chapters. Chapter one provides the general introduction of the study. Chapter two presents the literature review. This chapter provides conceptual definitions, scholarly works on risk management. Chapter three describes the research methodology. It describes the type of the study, study area, study population, sample size and sampling techniques, types and sources of data, data collection methods, validity issues and data analysis methods. Chapter four presents the study findings and analysis. The chapter includes the key characteristics of the respondents. Chapter five presents discussions and interpretations of the findings. Chapter six presents conclusions, recommendations and areas for further research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In order to get wider picture about risk management and contribution of risk management to the organization performance, a review of related literature was done. In surveying the literature, the research reports prepared by various previous researchers were reviewed in order to see what they found in relation to risk management and contribution of risk management to the business performance.

2.2 Theoretical literature review

2.2.1 Origin of the term Risk

The origin of the word 'risk' is thought to either be an Arabic word 'risq' or the latin word riscum (Kedar, 1970). The Arabic risk signifies that 'anything has been given to you by God and from which you draw the profit' and has connotation of fortuitous and favourable outcome. The Latin rescue however, originally refers to the challenges that are barrier reef present to a sailor and clear has the connotation of equally fortuitous but unfavourable events. A Greek derivative of the Arabic word risq which was used in twelfth century would appear to relate chance of outcome in general and have neither positive nor negative implication (Kedar , 1970).

The modern French word rescue' has mainly negative but positive connotations, as for example 'qui de risqué rien n'a rien' 'or' "nothing ventured, nothing gained" whilst in the common English usage the word 'risk' has very definite negative associations as in 'run the risk' or 'at risk' meaning exposed to danger.

Rowe, (1997) defines risk as 'the potential for unwanted negative consequences of an event or activity' whilst many authors define risk as 'A measure of the probability, severity and adverse effects'. Rescher, (1983) explains that 'risk is chance of negative outcome'. To measure risk we must accordingly measure both its defining components and the chance of negativity.

According to ISO 73 & 31000, risk is effective of uncertainty on objectives. Note that an effect may be positive or negative or deviation from the expected. Also, risk is often described by an event, a chance in circumstance or consequence. Consequence can range from positive to negative. (IIA) Define risk as, uncertainty of an event occurring that could have impact on the achievement of the objectives. Risk is measured in terms of consequence and likelihood.

Risk is eventually anything that threatens or limits the ability of community to achieve its mission. It can be unexpected and unpredictable event such as the destruction of building, wiping of all your computer files, lose of fund through theft or injure to a member or visitor who trips or slippery floor and decide to sue .Any of this or a million of these can happen, and if they do, they have the potential to damage your organisation, cost you money, or in worst case scenario, cause the organisation to close. Risk of serious harm is defines as the likelihood of harmful behaviour of violence or sexual nature which is life threatening or traumatic, and from which recovery, whether physical or psychological, may reasonably be expected to be difficult or impossible (RMA, 2011).

2.2.2 Classification of risks

Risk may be classified in variety as follows;

- a) Strategic risk; risk related to the strategy, political, economic, regulatory and global market conditions. It also includes reputational risk, leadership risk, brand risk and changing customer needs.
- b) Operational risk; risk related to the organisation's systems, processes, technology and people.
- c) Financial risk; risk related to the volatility of foreign currency, interest rate and commodities; also includes credit risk, liquidity risk and market risk.
- d) Hazard risk; risk which are insurable such as natural disasters; various insurance liabilities, impairment of assets, terrorism.

2.2.3 Origin of risk management

Risk management has variety of origins and is practiced by wide range in various professions. One of the early developments of risk management was in the United

State out of insurance management function. The practice of risk management become wide spread and better coordinated because the cost of insurance in 1950s had become prohibitive and the extent of coverage limited. Organisation realized that purchasing insurance was insufficiency, if there was also in adequate attention in the protection of the property and people. Insurance buyers therefore become concerned with the quality of the property protection, standard of health and safety, product liability issue and other risk concern (Hopkin, 2010).

2.2.4 Definitions of risk management

According to ISO Guide 73 BS 31100, define risk management as; coordinated activities to direct and control an organization with regard to risk. (IRM) Define risk management as; process which aims to help organizations understand, evaluate and take action on all their risks with a view to increasing the probability of success and reducing the likelihood of failure. (HM Treasury) Define risk management as; all the processes involved in identifying, assessing and judging risks, assigning ownership, taking actions to mitigate or anticipate them, and monitoring and reviewing progress.(London School of Economics) Define risk management as; selection of those risks a business should take and those which should be avoided or mitigated, followed by action to avoid or reduce risk .(Business Continuity Institute) Also define risk management as; culture, processes and structures that are put in place to effectively manage potential opportunities and adverse effects.

Risk management is a process of thinking systematically about all possible risks, problems or disasters before they happen and setting up procedures that will avoid the risk or minimize its impact, or cope with its impact. It is basically setting up a process where you can identify the risk and set up a strategy to control or deal with it. It is also about making a realistic evaluation of the true level of risk (Williams et al., 2006,)

Risk management means the process of understanding the nature of uncertain future events and making constructive plans to mitigate them when they depict threats or to take advantage of them when they depict opportunities (Taplin, 2005).

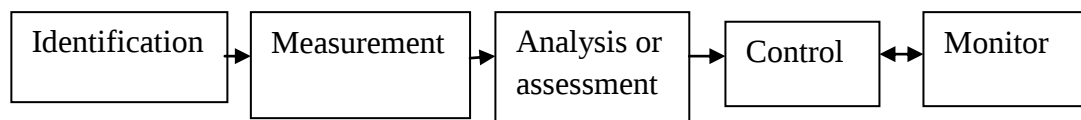
Risk management is the total process of identifying, controlling and mitigating information system related risk. It includes risk assessment; cost benefit analysis; and the selection, implementation, test and security evaluation of safeguards. This overall system security review considers both effectiveness and efficiency, including impact on the mission and constraints due to policy, regulation and laws (Stoneburner, Goguen&Fering, 2002).

2.2.5 The concept of Risk management

Management in the simplest understood definition can be defined as the act of planning, directing, controlling, monitoring and testing for desired results to be obtained. Or it is simply the act, manner, or practice of managing; handling, supervision, or control (Answers.Com, 2010). Risk on the other hand can be defined as the possibility that something unpleasant or dangerous might happen (Macmillan Dictionary, 2002). When companies indulge in business, it is obvious that they will be exposed to one type of risk or another which in most cases is an uncertainty although at times it can be certain that it will occur. Banks are one of such businesses whose risk is very sure because they don't function in isolation given the dynamic environment in which they operate, the volatility of the FMs in which they participate, diversification and the competitive environment in which they find themselves, (Williams et al., 2006,). Even though it is certain that risk will occur, it is not always possible in most cases to eliminate, reduce or ameliorate it (Keith, 1992, p. 16). So, the best possibility for companies is to try to manage the risk so as to reduce the possibility of occurrence or to reduce the consequences.

These possibilities can range from "do nothing at all" to attempting to nullify the effect of every identified risk (William et al., 2006,). But, because of the nature of the banking activity, a bank can't find itself in a position to do nothing at all or to nullify the risk. So, all she does is to live with it but look for means to manage it. Given the riskiness of her activities, a bank does not wait to introduce risk management at a certain stage of its activities but does so right from the start. This is so because her activities are so correlated in such a way that if not well handled, the effect / consequences can be connected and can even lead to bankruptcy. For this goal to be attained, decision makers need to first of all identify the risk involved, measure its

intensity, assess it, monitor it and then look for measures on how to control it. This act of managing the risk is called RM. RM is “a course of action planned to reduce the risk of an event occurring and/or to minimize or contain the consequential effects should that event occur” (Keith, 1992). This course of action linked, gives rise to a RM process which involved a number of stages. RM is very important and forms a main part of any organization’s activities because it’s main aim is to help all other management activities to reach the organization’s aims directly and efficiently since it is a continuous process that depends directly on the changes of the internal and external environment of the organization. (Tchankova, 2002)



Source: Keith (1992)

Looking at the stage like process, it shows that before risk can be managed, it must be identified. Once the risk is identified, measures are taken to measure its intensity or to evaluate the outcome of the risk, an assessment of the consequences is being done, control measures are then put in place to avoid or reduce its intensity and after that good monitoring is being done to see whether the expected outcomes are as desired.

2.2.6 Risk Identification

RM cannot be implemented when first of all the risk has not been identified. This means if there is no risk identified, there is thus no need for risk management. This identification is done by using different techniques depending on the company in question to ascertain all forms of threats she can be faced with both present and future.

So risk identification is the first stage of the RM process which develops the basis for the next stages. If success is not attained at this stage, then the risk will be non manageable. This means that the company will not account for the risk and will not take any action related to it and the consequences could be much unexpected. (Tchankova, 2002). This way, risks related to gains and losses must be identified. The

inability to identify the risks of one is as inappropriate as to identify the other. Risk identification thus involves a comprehensive analysis of all present and future risks in the business operations, asset management and support services (Keith, 1992, p. 15). During the process of risk identification, the bank is able to study its activities and the places where its resources are exposed to risk. This will help it especially when it has to carry out a future duty, in terms of developing and implementing new programs for risk control. Although all banks may be conscious of being faced with the same type of risks, the risk identification techniques for each of them can be different. It is always important for managers to identify all the possible risks they can be faced with because any neglected risk can have very negative consequences on the whole system. Given the importance of risk identification in the risk management process, managers don't have to focus their attention on what can be insured or mitigated but should start with the following questions as put forward by Tchankova, (2002).

- How can the organizational resources be threatened?
- What adverse effect can prevent the organization from achieving its goals?
- What favourable possibility can be revealed?

Starting the identification at this point will give a good kick-off for implementation and no barriers to the type of risks that will be identified.

2.2.7 Risk Measurement.

Risk measurement comes in after the identification phase to give an understanding of the nature and level / extent of the risk so that it can be managed in an appropriate manner. This is because without risk measurement the intensity of effect or consequences which can result from the identified risk if neglected cannot really be analyzed. A good risk measurement will determine the risk management techniques that have to be put in place to manage the said risk.

This will go along to bring out the extent and cost associated with the risk should it occur and the company in question then uses the known results to see how much value is at stake or cost is associated. A good risk measurement and understanding is thus vital for the bank so that it will not only settle on the risk considerably but will also improve on her performance drastically so as to improve safely and profitably. This will also help to determine how much effort has to be put in place or the degree of

seriousness on how to manage the risk. For competitive and regulatory reasons, it is necessary for all banks to have a sound risk measurement framework. Risk measurement simply put, is the evaluation of the outcome of risk using a set of risk factors which can be observed and measured. A risk factor is something that is likely to increase the chances that a particular event will occur (Tchankova, 2002) .

To measure the different types of risks, different techniques ranging from traditional simple to sophisticated ones are being used. Some include, Value At Risk (VAR), duration analysis, sensitivity analysis, stress testing, and scenario analysis. Even though all banks may be faced with the same type of risk, each may use different risk measurement techniques depending on their individual choices.

2.2.8 Risk Analysis or Assessment

The risk assessment task is to understand what is at risk and what events could potentially cause harm or benefits. The risk is being assessed in terms of the severity of the impact, likelihood of occurring and controllability (Gray & Larson, 2006, p. 215). When this is done, it helps the bank to know the chances that the risk might occur, and if it occurs, the impact it can have on the bank and how they can possibly control it. Risk assessment is done by prioritizing the risk either by using risk analysis or risk evaluation (Williams et al., 2006). This risk analysis is based on the likelihood and consequences. Likelihood depends on the probability that the risk will occur and how frequently it will take place. While, consequences on the other hand can be measured by looking at the effects on results or on the enablers of results (Williams et al., 2006) Knowing the frequency of occurrence of the risk and the effect it will have should it occur, gives the bank the base to know how important the risk is. Risk evaluation is then carried out when a good risk analysis has been undertaken.

An evaluation is done against an appropriate risk-acceptance criterion to give a ranking (Williams et al., 2006). For example;

- Low (tolerable)
- Medium (low as reasonably practical)
- High (intolerable)

The above ranking then determines the decision or stand point of the bank but what should be noted it that a decision depends on each bank independently.

2.2.9 Risk Control

Risk control involves using physical measures, techniques, tools and /or training staff to avoid, reduce, prevent or eliminate the perceived threat / its financial consequences and other undesirable results of risks (Keith, 1992, p. 15). Naturally, risk cannot be avoided or eliminated so the only option is to control it. Banks like other organizations have different ways of approaching risks and the amount of risks each is ready to accept differs. Some will decide either to prevent the risk or to allow it happen and then start looking for measures to tackle it, while others will decide whether to transfer or insure it.

There may also be a wide gap between the level of control possible and the level of control practiced. Risk tolerance is another domain in which banks may vary; some may be risk averse while others will be prepared to run calculated risks. This means the amount of risk that one bank may accept to tolerate differs from that of another bank. So, it is very important that all the aforementioned points be considered when assessing risk control (Keith, 1992).

2.2.10 Risk Monitoring

A plan is always made for the activities that are used to manage risk. To be sure that the activities attain the desired goal of the business, monitoring is very important so that the results gotten are in line with the set down goals. If it is noticed that the results are going contrary, readjustment should be done immediately. Risk monitoring is very important and it goes hand in hand with risk control. Risks in banks need to be monitored just like any project in progress.

The risk manager needs to constantly do assessment and make updates where there is need so as to be sure to handle any unforeseen risks at the right time before it is too late (Gray & Larson, 2006).

This is because any neglected or minimized risk can have very long term big and negative consequences since the banking activities are so interrelated.

Credit Risk and Value / returns

The risk management process is important to be followed in the management of credit risk because it is an unavoidable risk of the bank based on its activities. The management of this risk is an activity which is indispensable for a bank if really it wants to meet up with competition, create value for itself and create value for the shareholders. Like any other business entity, the aim of any bank is mostly to make profits and thus create value. To attain this goal, they cannot escape from risk whose consequences can be a barrier to this goal attainment. Credit risk is the most important of these risks because it comes about as a result of failure of the borrowers to pay their debts or dalliance to meet up with their obligations in time. Credit risk has been pointed out or identified as the key risk in terms of its influences on bank performance (Sinkey, 1992).

When this risk arises, it leads to less capital adequacy because the bank will look for other sources of finance to cover up the loss. It will also lead to less liquidity to meet up with other customers demand and thus less profitability because of a slowdown in business or even bankruptcy. This goes to show that credit risk and returns are so intertwined so, the more credit risk, the less returns and vice versa. But there is also a trade-off between the two. Riskier securities (higher yield loans) pay a risk premium (higher average return) because there is a greater uncertainty of payment (Kohn, 1994). So, average revenue and thus value/returns can be increased only by increasing risk.

Credit Risk Management in the banks

Although the effects of all risks types can cause negative consequences to the bank, credit risk has been pinpointed or identified as the key risk associated with negative consequences in terms of its influences on bank performance (Sinkey, 1992, p. 279) . This means if credit risk is not well managed, it can lead to failure. Thus, for any bank to succeed, its CRM must be handled with a lot of seriousness. This is because should a loss occur, the bank will have to “extend its hands” to get funds from other means to meet up or cover the losses. A clear reason why a correct management of credit risk is very important is because banks have a limited capacity to absorb loan losses and this losses can be covered only by using income generated by other

profitable loans or by bank capital (Boffey & Robson, 1995, p. 66) . If the income is used from these two sources to meet up for a loan that has not been paid, this action will go a long way to affect the capital adequacy of the bank, its liquidity and even its profitability. Looking at the consequences or effects of credit risk, it is important that before a bank gives out a loan, it should try as much as possible to have a concrete view of the borrower. (Greuning & Bratanovic, 2003, p. 136) says “Because of the potentially dire effects of credit risk, it is important to perform a comprehensive evaluation of a bank’s capacity to assess, administer, supervise, enforce and recover loans, advances, guarantees, and other credit instruments”. The bank has to possess its capability of how to recover a loan from a customer while reviewing its credit risk management policies and practices as outlined by the board. This means that the credit risk management process has to be followed in order to ensure that granted loans can be recovered in time and if not, a good collateral can be got in replacement of the loan. Each bank obviously has to develop its own strategies so as to fight competitors in the same industry by being successful. The bank has to assess the credit worthiness of the borrower and even after the loan is granted, interim monitoring is required until when the borrower has finished repaying the loan. This monitoring is very important because with the uncertainty in the future, any potential event that can cause a borrower to default payment can be fast identified or, a mechanism can be put in place on time to reduce the frequency and /or intensity of a loss should it occur. Early identification of borrowers at risk is good because it enables servicers to adequately staff collections departments, determine the most cost-effective type of customer outreach, and initiate repayment plans before a borrower’s financial situation worsens to the point at which foreclosure is unavoidable. (Focardi, 2009).

Credit Risk Management Policy/ philosophy

Banks like any other firm or corporation have formal laid down policies and principles that have been put in places by the board of directors on how to manage credits and this have to be carefully implemented by management. This restricts supervisors or managers on how to take action. They must do so by looking at the policies laid down to know if they are doing the right thing at the right time. Maness

& Zietlow, 2005, p. 139 specifies that a credit policy has four major components which include; credit standards, credit terms, credit limits and collection procedures.

- Credit standards- This is the profile of the minimally acceptable creditworthy customer
- Credit terms- This is the credit period stipulating how long from the invoice the customer has to pay, and the cash discount (if any) .
- Credit limit- This is the dollar amount that cumulative credit purchases can reach for a customer if credit is extended.
- Collection procedures- These are detailed statements regarding when and how the company will carry out collection of past-due accounts.

Despite the rules, it does not mean that the credit policies are stereotyped. “A good lending policy is not overly restrictive, but allows for the presentation of loans to the board that officers believe are worthy of consideration but which do not fall within the parameters of written guidelines”. (Greuning & Bratanovic, 2003). Since the future is uncertain, flexibility must be allowed for easy adaption to changing condition (maybe internal or environmental). For a sound CRM to be attained, after the risk in the lending activity has been identified, the bank’s credit risk management policies and the philosophies have to be used in order to control the credit risk (Greuning & Bratanovic, 2003, p. 151). This credit risk management policies have to constantly change with the changing activities of the banking environment since these activities may come with changing risks too.

According to (Greuning & Bratanovic, 2003), specific risk management measures include three kinds of policies;

- Policies aimed to limit or reduce credit risk (concentration and large exposures, adequate diversification, lending to connected parties, or over exposures)
- Policies of asset classification (mandate periodic evaluation of collectability of the portfolio of loans and other credit instruments, including any accrued and unpaid interest, which exposes a bank to credit risk).
- Policies of loss positioning (making of allowances at a level adequate to absorb anticipated loss).

Credit Risk management Practices

As banks have different credit risk management policies / philosophies, same do the risk management practices differ from one financial institution to another despite the fact that they can be open to the same risk types. The practices differ according to their previously laid down policies and philosophies. Some or all of the banks may decide to use hedging strategies or insurance to influence their profits and / or to avoid the costs of variations but, the way they put it in practice or their way of going about this will be different. Another difference can also be seen in the level of risk tolerance. Each and every bank has their individual level of risk that they can decide to let go based on how it is outlined in their risk management policy. To summarize this, it is clear that the same theory can exist for firms in the same industry, but, the implementation in practice differs. Practice is not consistent with theory. In most cases because of data limitation for most industries, it is difficult to describe which firms manage more risk than others or whether firms engage in dynamic risk management strategies and more importantly it cannot be reliably tested whether a firm's risk management practices conform with existing theories (Tufano, 1996, p. 1097-1098).

Credit risk management strategies

(Macmillan English Dictionary,2002) defines a strategy as a plan (method) for achieving something, or the skill of planning how to achieve something. A strategy thus simply means a way to go about an activity. This thus goes that as banks have different credit risk policies /philosophies and different management practices, their strategies to attain their desired goals in the same way may differ. The idea to go about a particular activity can exist to the knowledge of the bankers but the strategy of how to implement so that desired goals can be attained and / or to make a difference will be different for each bank or company. Given the competitive environment in which banks operate, it is always good to have a strategy position of how to manage its credit risk that will make or show its difference from its competitors. A strategy positioning means performing different activities from rivals or performing similar activities in different ways- a company can outperform its rivals only if it can establish a difference that it can preserve by choosing to perform activities differently than rivals do (Porter, 1996).

When a bank carries out its operational activities which are the same activities carried out by other banks, they should try to make a difference from their rivals by not only trying to be more efficient but by trying to make a difference. This can be done by performing different activities from the rivals or performing the same activities in a different way. For example: although specific risk management practices may differ among banks depending on the nature or complexities of their credit activities, a bank which will want to show a difference will use a comprehensive credit risk management strategy like the others by addressing area like; establishing appropriate credit risk environment, operating under a sound credit granting process, maintaining an appropriate credit administration, measurement and monitoring process and, ensuring adequate controls over credit. But, will go ahead to apply these practices in conjunction with sound practices related to the assessment of assets quality, adequacy of provision and reserves and the disclosure of credit risk, (Basel Consultative paper, 1999).

Bank and Customer relationship

The relationship between a bank and its customers is very vital for its success. This is because it is very similar to a parent and child relationship. When a parent has a cordial relationship with the child, it is always very possible to know in advance from the child's behaviour (without he or she telling them) that something is not moving on well with them. This is always done because the parent has developed a dialoguing attitude with the child making him or her to always feel free to inform them of any problem and will give them advice on how to handle certain issues in life even before they encounter them. (Tabassum et al, .2012).

Building a good customer relationship with the borrower is also good for the bank because this will help the borrower to develop loyalty and trust and they will know that if they present the bank with a difficulty, they are not going to get a blank stare. It will also help the borrower to bring to the notice of the bank in advance of any problem they might be facing thus giving the bank greater chances and possibility of handling the problem in advance. In the case of a good relationship, the bank can also give the customer advice on how to handle a problem in advance before it dawns on them. This will go a long way to profit the bank because the customer will be able to pay back their credits in time. When the bank also has a good relationship with the

customer, it will be possible to call them at any point in time to ask how their business is moving. This can lead to better advice in time before things go off hand. But if the relationship is not good, it will lead to totally negative consequences from the ones mentioned above and even in a situation of difficulty the bank will only come to realize when the customer is not able to pay back the credits or bankrupt and this will go a long way to affect the bank negatively as well. Empirical works like that of (Dahiya, Saunders & Srinivasan, 2003, p. 376) says banks are likely to be better informed about the financial status of their borrowers and thus will be able to take steps to reduce their loan exposures before the news of a borrower's distress becomes public information if they had maintained a good relationship.

2.3 Empirical literature review

Various other studies related to risk management and contribution of risk management to the business performance have been conducted by various researchers as follows:

Dionne (2013) has demonstrated that the risk management must encompass more than the simply minimizing the company's risk exposure. He argued that the objective of risk management is to maximize the firm value via the reduction of costs associated with different risks. He found that the main costs that the companies incur are financial distress, income taxes, financing of future investment projects and premiums payable to stakeholders. He also found that risk management can also improve the firm's capital structure, which suggests that companies in good financial health should use their information advantage to establish strategies to hedge future prices. According to Dionne the company need integrated risk management which would let them profit from different forms of natural coverage within the company by using internal activities and market activities to protect themselves from risk.

Oldfield & Santomero (1997) they argued that, the risk management practice entails a significant commitment of management time and institutional resources. It also requires a focus on the central business of the organisation, trading or market making and intermediation with risk management perspectives. They found that for effective risk management the following principals must be maintained for successful implementation of firm level risk management practices; First risk management must be an integral part of an institution's business plan, Second, the specific risks of each

business activity of an institution must be defined and the means to measure the risk must be developed, Third, procedures must be established so that risk management begins at the point nearest to the assumption of risk, Forth, data bases and measurement systems must be developed in according with the way business conducted. Finally they conclude that, none of the procedures or data bases mentioned here are effective or meaningful until an overall risk management system is put in place and used by senior management. To achieve this risk reports must be checked regularly by the business units being mentioned, reports must be tailored for their users and the system must be part of management's oversight, control and compensation.

Ward & Chapman (2001) found that the risk management can make an important contribution to the business performance. However, there is some justification for the view that current project risk management processes are threat orientated and that this can limit the contribution that project risk management makes to improving risk project performance. Specifically suggest that a threat and event based perspective can result in a lack of attention to several important areas of project related uncertainty, including; variability arising from lack of knowledge, the basis of estimates, the treatment of assumptions about operating condition and development of appropriate objectives and associated tradeoffs. Also found that the weakness in current project risk management processes is that they are not readily focussed on sources of operational variability in the performance of organisational activities.

Berg (2010) found that risk management at present are implemented in many large as well as small and medium size industries. He argued that not only industries but governmental organisations, research institutes and hospitals are now introducing risk management to some extent. In case of hospitals, patient safety is endangered; to increase their safety risk management is important to reduce errors through error preventions. Critical Incident Reporting System (CIRS) is seen as an important instrument in the process of risk management and is at present increase importance in the recognition of causes for error and misses. According to Berg it is very importance to have risk management in mind when performing risk assessment in order to analysis and evaluate risk in the organization. Thus the result of technical risk

assessments is one (often very important) part of an overall risk or safety assessment of an organisation.

Bertrand & Brown (2006) also found that among the organisations which they surveyed, less than half (46%) had a risk management plan in place. Yet each organisation faces different risk and should plan and implement different ways to deal with those risks. Each nonprofits and charitable organisation is complex and unique, so one size fits all risk management programs are not possible. According to them the experience and knowledge of volunteers, board members and staff should be the basis for developing a sound risk management program. They also suggest that risk management plans must include financial management, board governance and management, volunteer's management and insurance. Most of their respondents indicate that they included one or more of these components in their risk management activities. They conclude that, risk management is the thoughtful process of recognizing and controlling risks so you can protect and conserve resources. It should cover all aspects of your organisation including its mission, goals, activities, staffing and funding.

Acharyya and Mutenga (2013) conduct the study to assess the enterprise risk management, whether its implementation adds value to the firm and whether it takes stages to mature. It confirms both arguments that enterprises risk management creates value when the infrastructure is fully embedded into a company's operations and matured.

The objective of their study was to test if enterprises risk management adds value to insurers. Using insurance company data, they found that insurers that adopted enterprises risk management have managed to consistently lower volatility in their key value driver. This is a result of the benefits of being able to measure risk in their portfolios, decide on hedging techniques, determine adequate levels of capital and adjust their strategies in the face of new information.

2.4 Synthesis and research gap in the literature reviewed

Studies by other researchers that have been reviewed above each focused on the procedures, methods, steps and process, and historical review of risk management.

They also not focus their attention on the contribution of risk management to the business performance. Berg (2010) and Dionne (2013), for example merely focused on the risk management, methods procedures definition and experience. Bertrand & Brown (2006) also conducted a study to find how much nonprofits and charitable organisations understand about risk management and learn about the strategies, programs and procedures the Canadian nonprofits and charitable organisation are using to manage risk. However Bertrand and Brown (2006) did not tell whether risk management has contributed the performance of these nonprofits and charitable organisations.

Another study by Oldfield and Santomero (1997) was conducted to assess the place of risk management in financial institutions, at which its key objectives was to explain when risks are better transferred to the purchaser of the assets issued or created by the financial institution and when the risk of these financial product are best absorbed by the firm itself. Oldfield and Santomero (1997) did not tell how risk management contribute the performance of financial institutions.

Ward and Chapman (2001) also conducted study to discuss the reason for current project risk management induce a restricted focus on the management of project uncertainty. In part this because the risk management encourages threat perspective. They found that focus on uncertainty rather than risk could enhance project risk management, providing an important difference in perspective, including, but not limited to, an enhanced focus on opportunity management. Ward and Chapman (2001) not tell whether the project risk management contribute performance of the organisations.

Therefore, this study aims at bridging the gaps in other studies that have been reviewed by finding out the contribution of the risk management to the business performance, using CRDB Bank Plc as the case study.

2.5 Conceptual framework

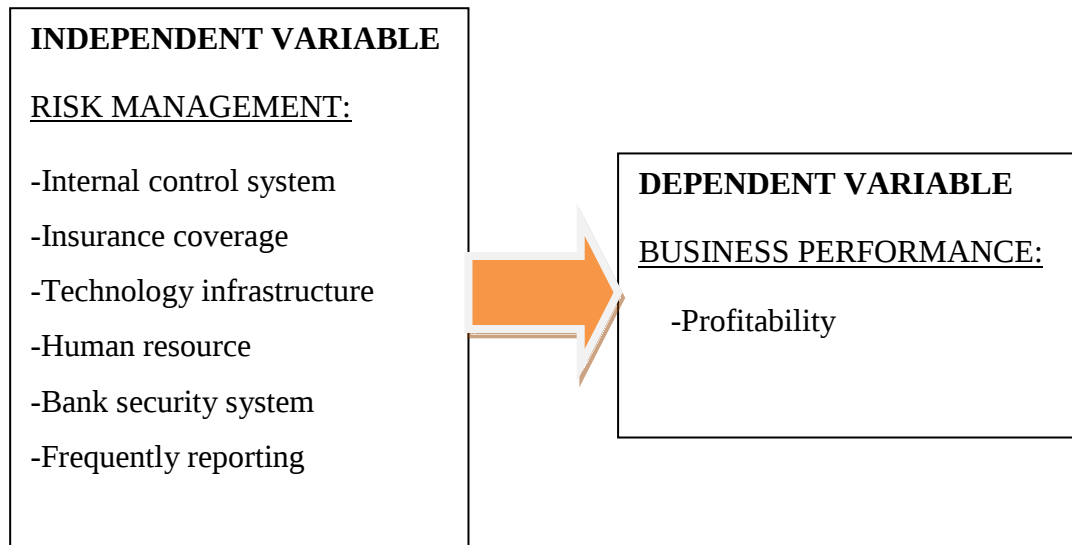
The conceptual framework below shows the relationship that exists between risk management and business performance, in the model business performance will be dependent variable and the independent variables will be risk management which

consist factors that leads to the business performance such as organisation Internal control system, Bank security system, Insurance cover, Technology infrastructure, human resource and reporting of the risks in the business which in general leads to business performance.

The business performance depends on good risk management organisation apply in controlling and mitigating the risks in the firm. It is understood that different kind of risk management process used by different business organisations help much to raise the performance of the business .Whenever risk management process is applied in the business organisation, stimulate the business performance hence the risks associated with the organisation will be minimized or diversified. When these activities get improved, then the business shareholder and stakeholders will benefits from business operation easily due to risk management which will leads to business performance (Acharyya and Mutenga, 2013)

Management of risk in the financial institution like CRDB Bank increase not only the value and the profit of the firm but also lead to the business reputations in the financial institutions market competition both internally as well as externally. There is a great relationship between the risk management and the business performance. According to Acharyya and Mutenga (2013), the enterprises risk management can add value to the firm hence the firm can be able to measure the risk in their portfolios and decide on the hedging techniques which will determine the adequate levels of capital and adjust the business strategies in their face of new information. This enables the enterprises risk management practicing insurers to track volatility in their portfolios and find ways of minimising it, hence their ability to deliver consistently stable portfolios in the face of adverse market conditions.

Figure: 2.1 Conceptual framework model



Source: Researcher's own Design 2015.

Business performance = f(organisation internal control system, insurance cover, technology infrastructure in the firm, human resource that the firm has in deals with the risk, Bank security system and frequently reporting of the risk)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology that was used in carrying out this study. It consisted of: type of study, research design, area of the study, population, sample size and sampling techniques, types and sources of data, data collection methods, data analysis methods, Validity and reliability of the data and Units of analysis.

3.2 Type of the study

The study is both quantitative and qualitative study, at which this study adopted both qualitative and quantitative research approach to explore the conceptions of risk management by the managers and staff in the bank. The study used qualitative research approach to obtain data that was based on the views of the respondents about the risk management. The quantitative research approach was employed during the collection of quantitative data. The main focus in the study was to investigate how risk management contributed to the performance of the bank and the conceptions about risk management in the firm.

3.3 Research area

The study was conducted in CRDB Bank Plc in Tanzania where departments in the CRDB Bank were selected. CRDB Bank Plc was selected as a representative area of all banks in Tanzania as far as risk management is concerned. CRDB Bank Plc was used by the researcher as a sample to investigate whether the risk management contributed to the business performance.

3.4 Units of analysis

The unit of analysis of the study is organizations unit analysis which focuses on how the risk management contributes in the performance of CRDB Bank Plc. The researcher needed to investigate how banks manage risk and how this management of risk contributed to the bank performance.

3.5 Research design

The research used case study design, whereby CRDB Bank Plc used as the case study. CRDB Bank Plc used to represent other banks due to its accessibility of the data used in this study. It involved in-depth, contextual analysis of similar situations in other banks, where the nature and definitions of problems happened to be the same experienced in the current situations.

Data may be categorized according to the source from which it was obtained. Another distinction of the nature of the data is related to the scale in which it was measured. This may be nominal, ordinal, interval or ratio. Scaling or measurement implies assigning numbers to research variables using a standard set of rules. This facilitates comparisons and interpretation of such variables.

The researcher used qualitative technique using case study design in data collection. The reason for using qualitative technique was because it needed descriptions and other oral evidence from respondents. Also the quantitative technique was applied hence data collection such as questionnaires was used to get more information.

3.6 Target Population

The target population used in this study involved various stakeholders of risk management in CRDB Bank Plc, such as managers or directors, heads of department and risk management committee members. Other target population which was also used to obtain information were normal working staff in the firm.

3.7 Sample size and Sampling techniques

3.7.1 Sample size

Sample is a subset of the units in the population, or is a group of a few elements in a population. This subset was selected as representative of the whole population with the relevant characteristics (Kothari 2004; 55). It was impracticable to deal with whole population in the banking sector due to time constraints, resources and the need for successful analysis of the problem.

Under investigation a sample of 50 employees was selected to represent the population of the employees in CRDB Bank Plc. These respondents were from different departments in CRDB Bank Plc which includes the Credit department, Marketing and advertisement department, Accounting and finance, Auditing department and from Customer service department. The composition of the sample is shown in the table below.

Table 3.1 Sample size

Department of CRDB Bank	No. of respondents(sample size)	Sampling
Credit department	10	Purposively
marketing and advertisement	10	Purposively
Accounting and finance	10	Purposively
Auditing Department	10	Purposively
Customer Service department	10	Convenience
Total	50	

Source: Researcher 2015

3.7.2 Sampling technique

The sampling technique was applied in this study in order to get broad and wide view from the population contained in CRDB Bank Plc. The researcher did not expect to involve each member in the CRDB Bank during his study due to shortage of time. Therefore, the researcher applied the following sampling technique

3.7.2.1 Cluster Sampling

Cluster Sampling involves grouping the population and then selecting the group or the clusters than individual elements for inclusion in the sample (Kothari 2004; 16). The clustering sampling was used in this study so as to reduce the total number of interviews in the CRDB Bank Plc departments. In this sampling there was identification of the sampling units and selection of the random sample of cluster used in the study.

3.8 Types and source of data

The types of data used in this study were primary data and secondary data. Primary data refers to the information that the researcher obtained firsthand on the variable of interest for specific purpose of the study when conducting the study. It was obtained by using interviews, observation or Questionnaires. On the other hand, secondary data refers to the information that the researcher gathered from sources that already existed. It was obtained from literature survey and documentary review.

3.9 Data collection methods

In conducting this study the following methods of collecting data were used. These methods included; Interviews, observation, Questionnaires, literature survey and documentary review. These data collection methods employed to allow the researcher to get the necessary information from respondents as well as from the bank's documents relating to the risk management and how it contribute the CRDB Bank performance.

3.9.1 Interview

Kothari (2004; 97) describes interview method as the presentation of oral-verbal stimuli and reply in terms of oral verbal responses. The method is used through face to face interaction or through telephone. Therefore during the study the researcher conducted both face to face and telephone interviews to get hold of the targeted information. The use of both face to face and telephone interviews is to enable the researcher to get the data from the respondents who due to their tight schedules it was not possible to meet them for face to face interview.

The interview in various sections in the CRDB Bank Plc was conducted according to sample taken from the population based on face –to-face dialogue. The structured questions were used for interview in order to find out the contribution of risk management in CRDB Bank performance. This technique was applied in such a way that the interviewer or researcher asked questions to the respondent on how CRDB Bank control risk, how management of risk contribute its performance, and the risk that are always reported by the CRDB Bank.

3.9.2 Observation

Kothari (2004; 96) describes observation method as the most useful method specifically in studies related to behavioural sciences. Under the observation method the information is gathered through own direct observation by the researcher (through his or own eyes).

Under this technique, the researcher tried to be involved in day to day activities of the CRDB Bank so as to observe matters concerning the sound managerial decision-making in the bank concerning the risk management.

3.9.3 Questionnaires

The researcher administered the questionnaire method in obtaining the information on how risk management contributed to the performance in the firm. A series of questions were written down and the respondents were required to fill in their views on how risk management contributes to the performance of the firm. The questionnaire contained both open-ended and close-ended questions. Open-ended questions were used in order to get the experiences and feelings from sample population about the contribution of risk management to the firm's performance. Close-ended questions were used to gather information that the researcher intended to get which could not be obtained using open-ended questions.

3.9.4 Literature survey

The researcher visited literatures from different authors to compare what they had written with what he had observed in the firm regarding to the contribution of risk management in the firm.

3.9.5 Documentation review

This is a secondary source of information by reading various documents both published and unpublished such as books, office documents and other writings. The researcher visited different documents of the firm including annual reports and identified how risk management has been taken and how it has contributed to the firm's performance.

3.10 Data analysis methods

In analysing quantitative data, descriptive statistics such as frequencies and percentages were employed to determine distribution of values for variables and summarize the data. The qualitative data was subjected to content analysis in which data collected through interviews and observation were summarized in themes, patterns and trends then analyzed and presented following the objectives and research questions (Singh, 2006).

The data collected was coded and entered into Microsoft excel. After completed to insert questionnaires into excel, the researcher was further employed software known as Statistical Package for Social Science (SPSS) for analyzing the data. The SPSS analyzed questionnaires with many questions include both close ended and open ended questions then analyzed and presented following the research specific objectives and research question. The package used to determine frequencies in order to analyze the number of respondents belonging to each variable. This SPSS programme therefore took into consideration the analyses of data to determine frequency and percentages of the respondents and finally guide researcher to draw tabulation and graphs. Also, both quantitative and qualitative methods of data analysis have been employed for purpose of clear understanding of the research problems under investigations.

3.11 Validity and reliability of the data

3.11.1 Validity of the data

To ensure validity of data in this study the data was collected from different departments and sections in the CRDB Bank Plc .This was to make sure that there were presentations of views from different departments. It was also done to ensure that validity of primary data was cross checked from the secondary data.

3.11.2 Reliability of the data

In order to ensure reliability of the data collection in the study, five methods of collecting data were used in this study. These were interview, documentary review, observation, and questionnaire and literature survey. The questionnaire was developed in time with research objectives and research questions. Also pre-testing of the

questionnaire was conducted to guarantee common understanding of the questionnaire items among the respondents.

CHAPTER FOUR

FINDINGS, ANALYSIS AND DISCUSSIONS

4.1 Introduction

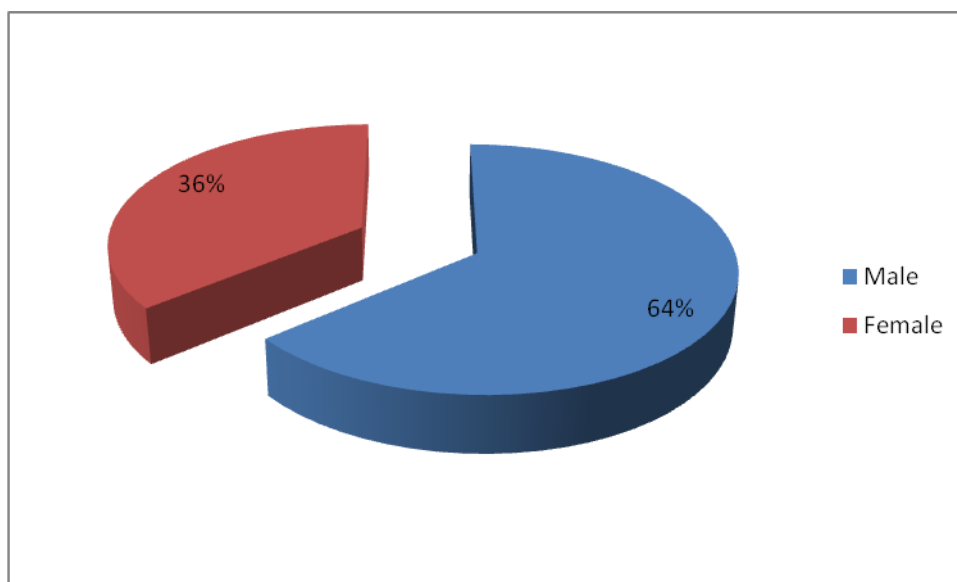
This chapter of the research report provides data presentation, analysis and discussion. The chapter starts with information obtained on characteristics of study respondents, and thereafter, presents analyses and discusses data based on specific objectives. The specific objectives of the study were to determine how the firm controlled the risk in the business, how risk management contributed towards business performance, and to examine the risks that were frequently identified and reported by the CRDB Bank Plc.

4.2 Respondent's characteristics

4.2.1 Gender

Out of the total respondents in the CRDB Bank Plc, 32 were male that is 64% whereas 18 respondents, that is 36% were female. The results pointed out that there was a dominance of male respondents rather than female respondents who had responded to the study. Figure 4.1 shows analysis results as per distribution.

Figure 4.1 Gender



Field data 2015

4.2.2 Position of Respondents

The study set out to find the position in the firm that each respondent who had responded to the questionnaire held. The findings were as follows: 2 respondents that is 4% said that they were managers, 3 respondents that is 6% said that they were in Risk management committee, 5 respondents that is 10% said that they were internal auditors in their branch, whereas 25 respondents that is 50% said that they were heads of the departments, and 15 respondents that is 30% said that they were other workers in the bank. The findings revealed that most of the respondents were aware of the study topic and had enough knowledge on risk management in the organization. The table 4.1 shows analysis result as per distribution

Table 4.1 Position of Respondents

Position	Frequency	Percentage
Branch Manager	2	4%
Risk Management committee	3	6%
Internal Auditors	5	10%
Head of Department	25	50%
Other Workers in the Bank	15	30%
Total	50	100%

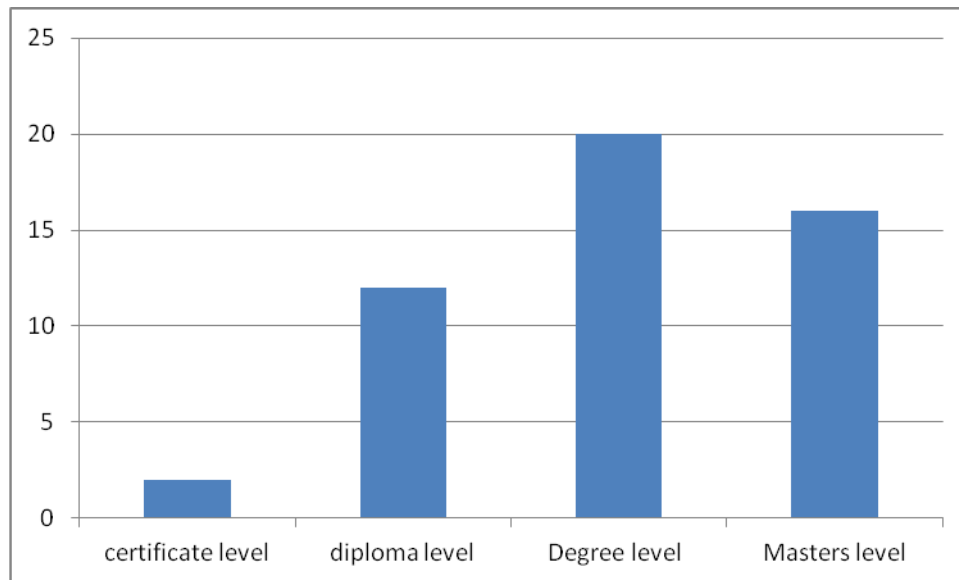
Source: Field data 2015

4.2.3 Level of Education

The study set out to find out the level of education of the respondents where 2 respondents said that they were certificate level, 12 respondents that is 24% said that they had reached diploma level, where 20 respondents that is 40% said that they had reached the Degree level and 16 respondents that 32% said that they have reached the

Masters level. The findings of the study revealed that the respondents had education enough to be able to respond and contribute to the study.

Figure 4.2 Level of Education



Source: Field data 2015

4.3 Control of the risk in the business

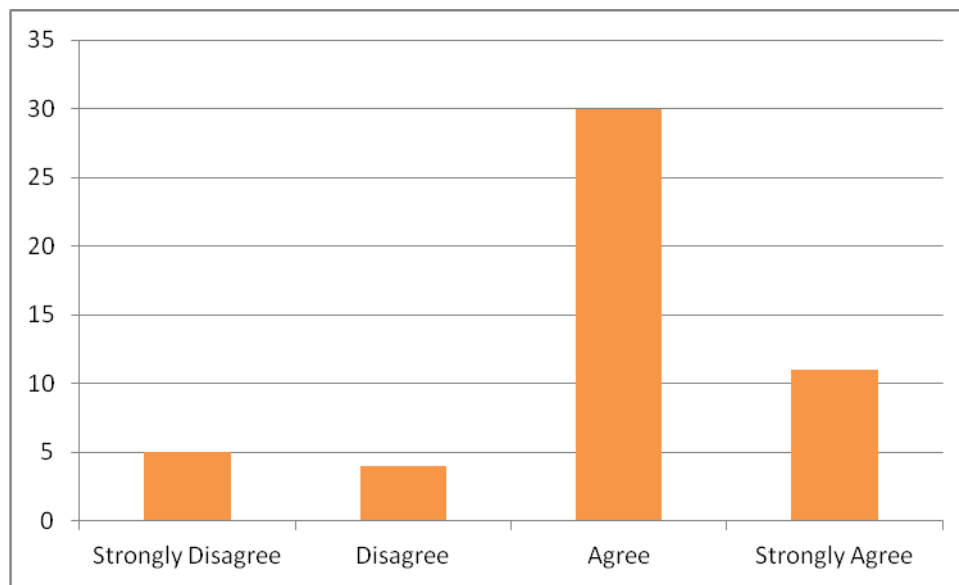
The first objective of the study was to determine how the firm controlled risk. According to (Keith, 1992), risk control involves using physical measures, techniques, tools and /training staff to avoid, reduce, prevent or eliminate the perceived threat or its financial consequences and other undesirable results of risk, The following are the methods used by CRDB Bank to control risk: Internal control and internal auditing, Insurance coverage, Technology and human resource and bank security system.

4.3.1 Internal control and internal auditing

The study set out to find if internal control and internal auditing controlled risk in the CRDB Bank Plc. The analysis showed that 5 respondents that is 10% strongly disagreed that internal control and internal auditing was used to control risk, 4 respondents that are 8% they disagree that internal control and internal auditing was used to control risk, where 30 respondents that is 60% agreed that internal control and internal auditing was used to control risk, and 11 respondents that is 22% strongly agreed that internal control and internal auditing could control risk. The

findings of the study revealed that the strong internal control and internal auditing of the CRDB Bank Plc had strong risk management strategies as they made assessment and analysis of the risk situation. These strategies help the bank to control the risk and minimization of the risks in the bank, at which increase the performance of the CRDB Bank.

Figure 4.3 Internal control and internal auditing



Source: Field data 2015

4.3.2 Insurance coverage

The study set out to find if CRDB Bank Plc use insurance cover to control risk. The findings came up with 24 respondents that is 48% who had said that they strongly agreed that bank use insurance to cover risk, 15 respondents that is 30% said that they agreed that the bank used insurance to cover risk, where only 3 respondents that is 6% said that they strongly disagreed that the bank use insurance method to cover risk of the bank and 8 respondents that is 16% said that they disagreed that the bank use insurance to cover risk. The findings of the study revealed that the insurance was one of the methods that CRDB Bank Plc use to control risk and maintain risk management in the bank and that they used insurance to insure the loans and the bank properties against defaults which reduce the business risk and losses associated with that risk and stimulate the banks performance.

Table 4.2 Insurance coverage

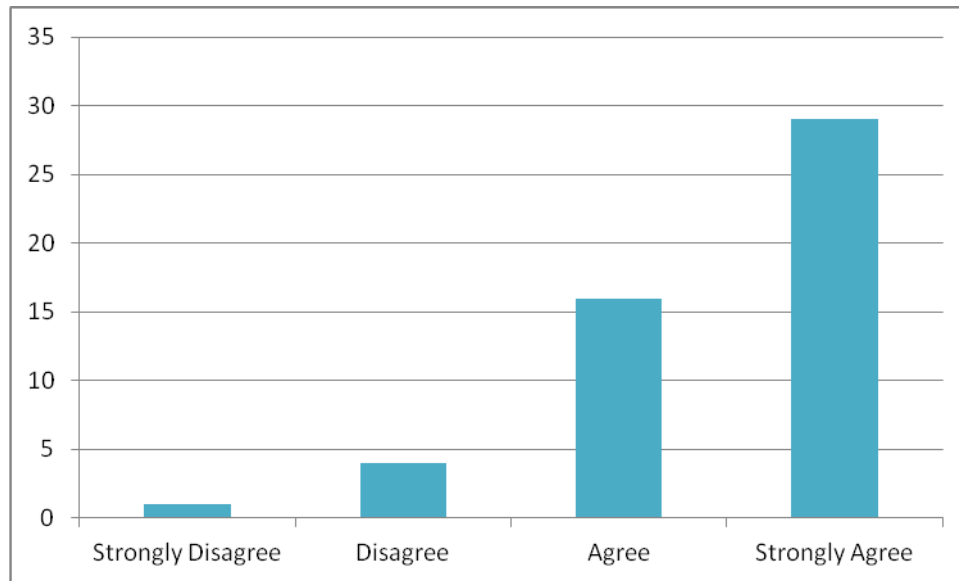
Level of Agree	Frequency	Percentage
Strongly Disagree	3	6%
Disagree	8	16%
Agree	15	30%
Strongly Agree	24	48%
Total	50	100%

Source: Field data 2015

4.3.3 Technology infrastructure

The study set out to determine whether the use technology infrastructure at the CRDB Bank Plc help to control risk in the bank. The findings showed that 1 respondent that is 2% strongly disagreed that the bank use technology infrastructure to control and identify risk in the bank, 4 respondents that is 8% said that they disagreed that bank use technology infrastructure to control and identify the risk, where 16 respondents that is 32% said that they agreed that the bank use technology infrastructure to control and identify risk and 29 respondents that is 58% said that they strongly agreed that the bank use technology infrastructure to control and identify risk. The findings of the study revealed that the bank had department of information technology which maintained safety, IT security, identified and controlled risk of the bank. These department assess and monitor risks which caused by the use of technology and to facilitate the bank transaction using technology infrastructure.

Figure 4.4 Technology infrastructure

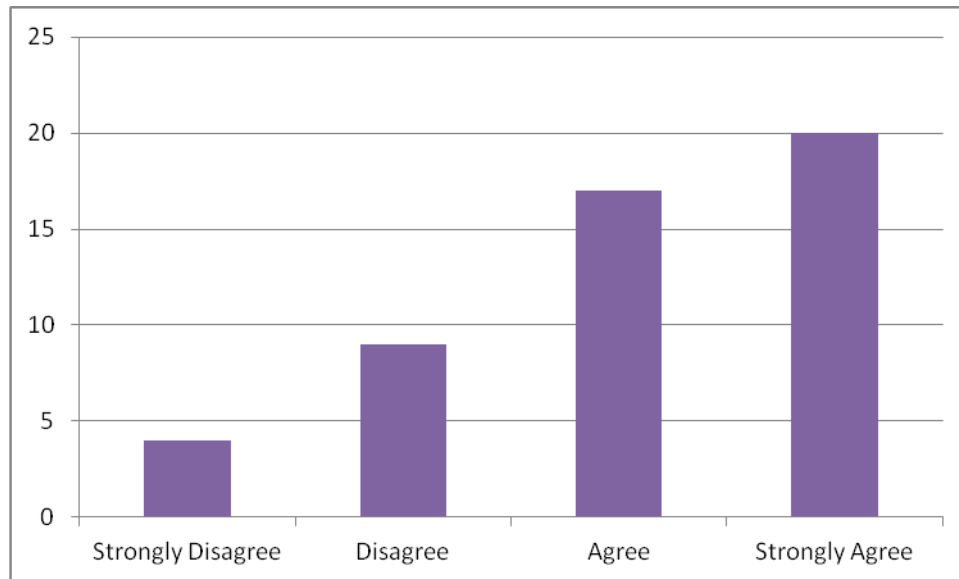


Source: Field data 2015

4.3.4 Human resource

The study set out to find if human resource in the CRDB Bank Plc is used to control risk. The analysis of the findings showed that 4 respondents that is 8% strongly disagreed that the human resource is used to control risk in the bank, 9 respondents that is 18% said that they disagreed that human resource is used to control risk in the bank, where 17 respondents that is 34% said that they agreed that human resource is used to control risk in the bank, and 20 respondents that is 40% said that they strongly agreed that human resource is used to control risk in the bank. The interviews showed that CRDB bank Plc had strong human resource department. The findings revealed that the strong human resource favoured the organization in managing risks associated with recruiting wrong and unprofessional employees. In addition to this, the strong human resource considered the benefits and the health of the employees therefore favouring the organization in managing risks. Those well motivated employees were able to reduce unnecessary risks were in the CRDB Bank Plc.

Figure 4.5 Human Resource



Source: Field data 2015

4.3.5 Bank Security System

Study set out to determine if the situation of security system of the CRDB bank Plc helped to control risk. , The analysis showed that 12 respondents that is 24% said that they strongly disagreed that good security system of CRDB Bank Plc control risk, 10 respondents that is 20% said that they disagreed that good security system of the CRDB Bank Plc control risk , where 20 respondents that is 40% said that they agreed that in the CRDB bank Plc there was good security system that control risk in the bank , and 8 respondents that is 16% said that they strongly agreed that in the CRDB Bank Plc there was good security system which controlled the risks . The findings of the study revealed that risk management of CRDB bank Plc was good because it had good security system which could make sure all transactions were conducted and recorded in proper way in both manually and electronically, and if any error occurred, it was corrected as soon as possible. Table 4.4 shows the distribution analysis.

Table 4.3 Bank Security system

Level of Agree	Frequency	Percentage
Strongly Disagree	12	24
Disagree	10	20
Agree	20	40
Strongly Agree	8	16
Total	50	100

Source: Field data 2015

4.4 Contribution of Risk management towards business performance

The second objective of the study was to determine the contribution of risk management towards business performance. It confirmed that the proper implementation of the methods used in CRDB Bank Plc as identified in the first objective which included the use of; internal control and internal auditing, insurance cover, technology infrastructure, human resource and the bank security system, were the major and influence of the business performance, because those risks and losses that could affect the performance of the bank were minimized or prevented. That led to the maximization of revenue/profit and minimization of the business costs.

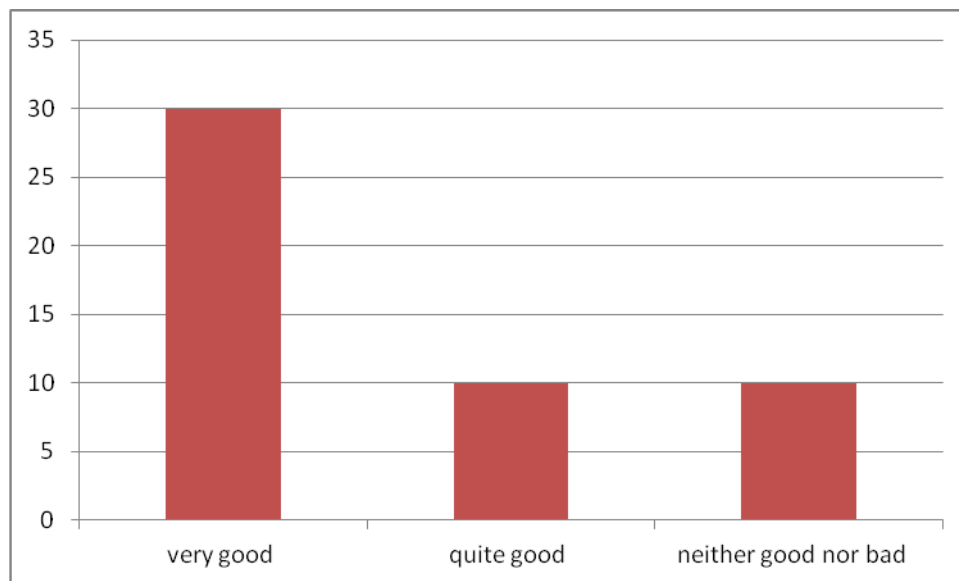
Risk management at present is implemented in many large as well as small and medium sized industries, governmental organizations inclusive. In addition to this research institutes and hospitals are now introducing risk management to some extent. Risk management can make an important contribution to the effective project management where it reduce error and increase profitability. Risks in financial services are larger in scope and scale than ever before. Along with revenue maximization and operational cost minimization, risk management has moved to centre stage in defining superior performance of the organization, the more the risk management in financial institution result in organisation performance (Berg, 2010)

The following are the contribution of risk management towards business performance: Financial benefits due to profit, income from interest due to increase in credits and loans that the banks provide.

4.4.1 Risk management and Performance

The study set out to find whether there was a relationship between risk management and firm performance, where 30 respondents that is 60% said that relationship between risk management and firm performance was very good, 10 respondents that is 20% said that relationship between risk management and business performance was quite good, and 10 respondents that is 20% said that the relationship between risk management and performance was neither good nor bad, No respondents commented that relationship between risk management and business performance was quite bad or very bad. The study findings revealed that there was a strong relationship between risk management and firm performance. Bank of Tanzania (BOT) had legitimate interest in insuring that institutions operated in safe and sound manner. This goal could be largely attained if institutions effectively managed their risks. Table 4.7 shows the analysis results as per distributions.

Figure 4.6 Risk management and Performance

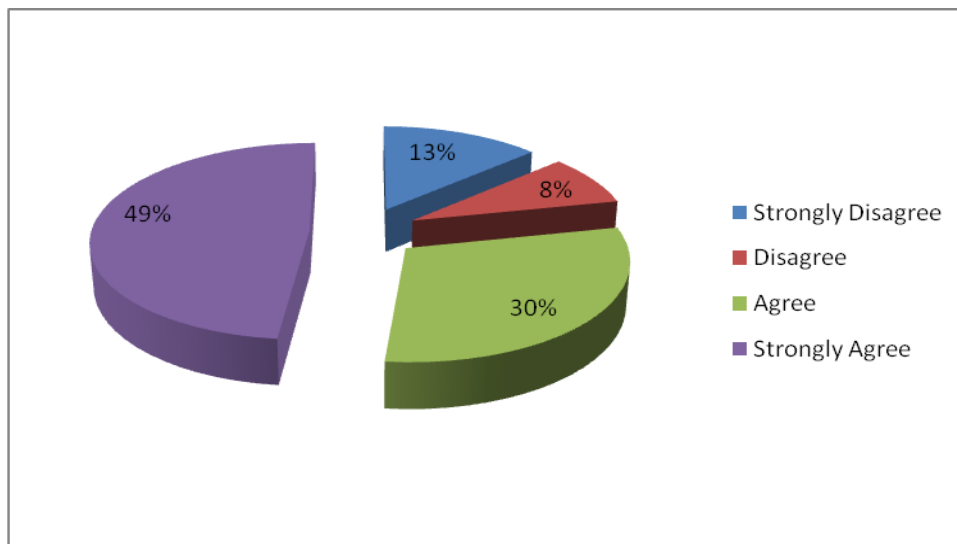


Source: Field Data 2015

4.4.2 Financial benefits due to profit

The study set out to find if the risk management in the organisation contributed to the profit of the firm. According to the findings, 7 respondents that is 13% said that they strongly disagreed that risk management contributed to profit of the firm, 4 respondents that is 8% said that they disagreed that risk management contributed to profit of the firm. 15 respondents that is 30% agreed that risk management contributed to profit of the firm and 24 respondents that is 49% said that they strongly agreed that risk management contributed the to the profit of the firm. The study findings revealed that there was high contribution of risk management towards the performance or profit of the CRDB bank Plc. Increasingly, the risk management policy maintained the performance and the profit of the firm, hence the losses and risks were minimized. The figure 4.8 shows analysis result as per distribution

Figure 4.7 Financial benefit due to profit



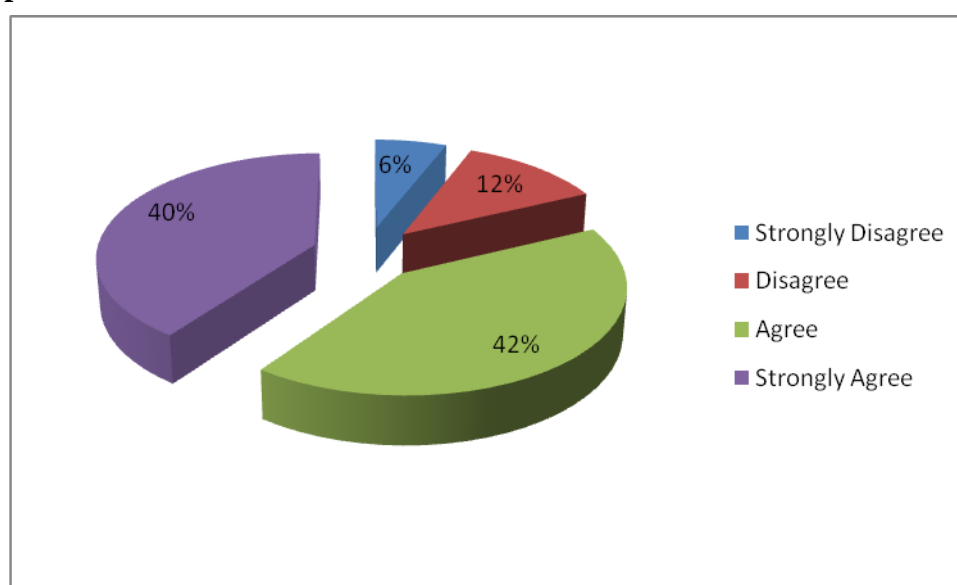
Source: Field data 2015

4.4.3 Income benefits due to the interest from credits and loans

The study set out to find whether income due to interest received as a result of credits and loans provided to clients contributed to the business performance. The study found out that 3 respondents that is 6% strongly disagreed that interest on credits and loans contributed to the business performance, 6 respondents that is 12% disagreed that interest on credits and loans contributed the performance of the firm, 21

respondents that is 42% said that they agreed that interest on credits and loans contributed the performance of the firm. In addition, 20 respondents that is 40% said that they strongly agreed that the interest on credits and loans contributed to the performance of the firm. The findings of the study revealed that the CRDB Bank Plc benefited from the income obtained from the interest, as they provided credits and loans to their clients. Therefore, this contributed to the performance of the firm because the income was used in the business operation cost and financing organisation projects.

Figure 4.8 Income benefits due to the interest from credits and loans bank provided to the clients



Source: Field data 2015

The major source of income to the financial institutions was interest received from the credits and loans offered by the bank to its clients. The good risk management on credit provision and non-performing loans in the financial institutions increased the income of the bank and helped the banks to pay for their operating expenses. The good management of credit terms such as credit period, collaterals and interest charged to the clients contributed to the performance of the firm not only on credit and loans sector but also in financing the business projects and daily costs.

On operations front, the key Management concern continued to be credit risk. Major effort was devoted to reduction in the non-performing loans (NPL) ratio to total loans. The target was to reduce it from the 6.8% obtained in 2012 to 5.0% by end 2013.

Thus, steps were initiated to gradually reduce the Bank's exposures in the sectors typified by high NPL ratios in the banking industry, particularly agriculture. Moreover, concerted efforts were taken to diversify the loan portfolio in favour of the retail segment by increasing appetite in mortgages, SME, personal and microfinance loans. In addition, a decision was taken to optimize the use of Credit Reference Bureaus during credit appraisals to complement our newly developed Internal Credit Rating/Scoring model. More importantly, we reviewed our credit risk management processes with a view to achieve better results in monitoring and recovery. I am happy to report that we managed to reduce the NPL ratio to 6.2% by the year end. (Annual Report CRDB 2013)

4.5 Risks which are frequently identified and reported in CRDB Bank Plc

The third objective of the study was to examine the risks that were frequently identified and reported by the bank. The following were the risks which were frequently identified and reported by the CRDB Bank Plc: Credit risk, Liquidity risk, Operational risk and interest rate risk.

Table.4.4 Risk identified and reported in CRDB Bank Plc 2013

Risk type	Type of shock	Shock rate	Impact on profit or loss TZS' million
Credit risk	Increase in Non-performing loan(NPL)	30%	(59,892)
Interest risk	Change in interest rate	9%	(7,494)
Liquidity risk	Run off of deposit	20%	(2,498)
Operational risk	Fraud and other losses	3%	(3,655)

Source: CRDB Bank 2013

Table.4.5 Risk identified and reported in CRDB Bank Plc 2012

Risk type	Type of shock	Shock rate	Impact on profit or loss TZS'million	Impact on regulatory capital TZS'million
Credit risk	Increase in Non-performing loan(NPL)	50%	89,403	46,266
Interest risk	Change in interest rate	9%	8,309	33,091
Liquidity risk	Run off of deposit	20%	3,141	33,091
Operational risk	Fraud and other losses	3%	3,191	33,091

Source: CRDB Bank 2012

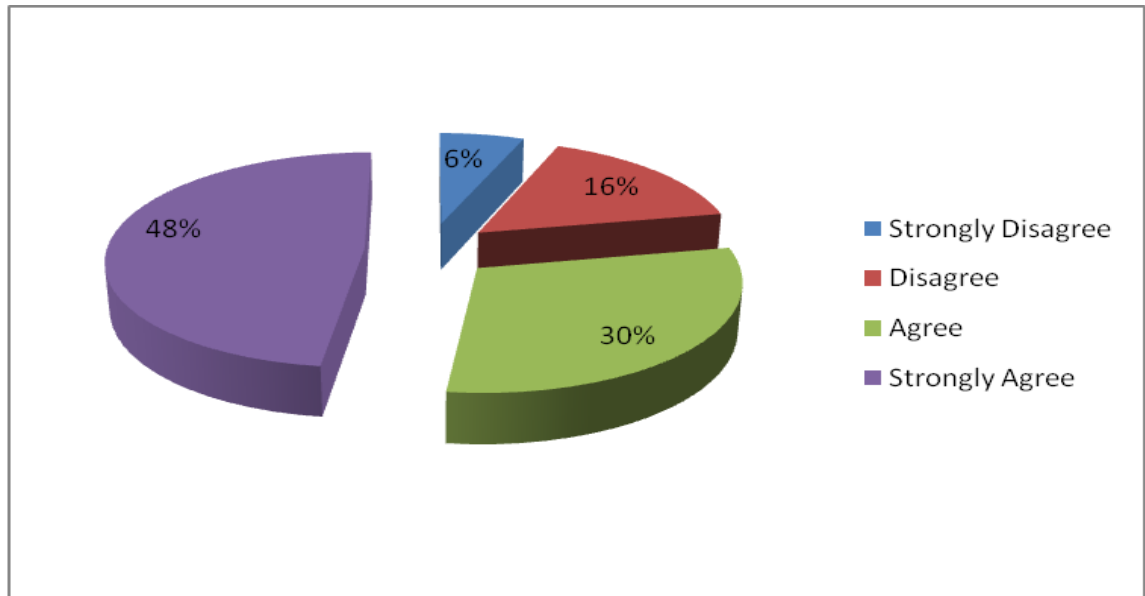
Financial institutions are exposed to various risks in pursuit of their business objectives; the nature and complexity of which has changed rapidly over time. The failure to adequately manage these risks exposes financial institutions not only hampering the profitability as their earnings are converting in to bad debts but also increasing interest rate and causing economic slowdown, ultimately rendered them unsuccessful in achieving their strategic business objectives. In the worst case, inadequate risk management may result in circumstances so catastrophic in nature that financial institutions cannot remain in business, (Tabassum at el, 2012).

4.5.1 Frequent identifying and reporting Credit risk in CRDB Bank Plc

The study set out to determine whether credit risk was the risk which was frequently identified and reported in the CRDB Bank Plc. The findings showed that 24 respondents that were 48% said that they strongly agreed that credit risk was the risk frequently identified and reported in the bank. 15 respondents that is 30% said that they agreed that credit risk was the risk frequently identified and reported, where 3 respondents that is 6% said that they strongly disagreed that credit risk were the risk frequently identified and reported, and 8 respondents that is 16% said that they disagreed that credit risk was the risk frequently identified and reported. The findings of the study revealed that reporting about risk occurred and risk needed to happen. The identified and reported risk was one of the major influences of the performance of the firm because this could lead to awareness of the management that some risks

happened so they needed to be controlled and if already happened, the management would use mitigation method to control that risk.

Figure 4.9. Frequent identifying and reporting Credit risk



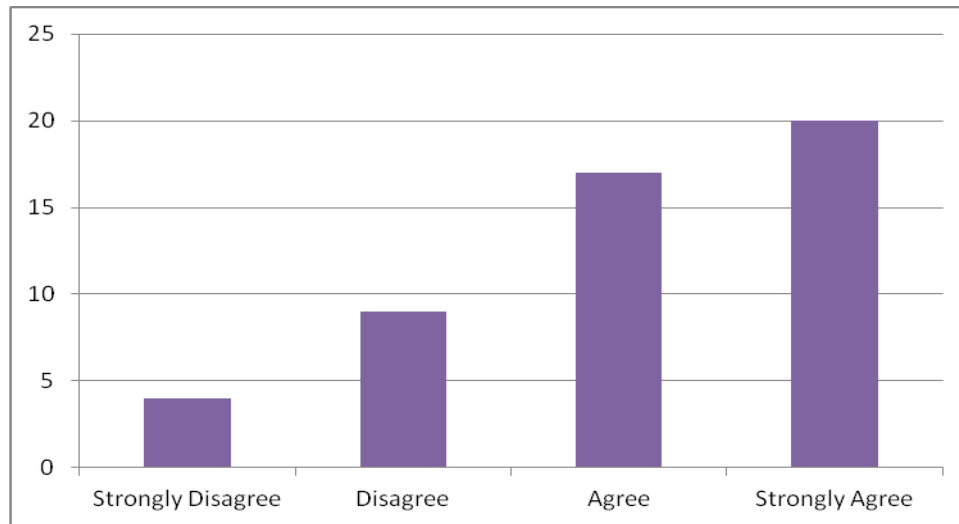
Source: Field data 2015

The Bank take on exposure to credit risk, which is the risk that counterparties, will cause a financial loss to the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business; management therefore carefully manages its exposure to credit risk, (Annual Report CRDB Bank 2013).

4.5.2 Frequent identifying and reporting interest risk in the CRDB Bank Plc

The study set out to find whether interest risk was the risk frequently identified and reported at CRDB Bank Plc. The analysis of the findings showed that 4 respondents that is 8% said that they strongly disagreed that interest risk was the risk frequently identified and reported, 9 respondents that is 18% said that they disagreed that interest risk was the risk frequently identified and reported. However, 17 respondents that is 34% said that they agreed that interest risk was the risk frequently identified and reported, and 20 respondents that is 40% said that they strongly agreed that interest risk was the risk frequently identified and reported in CRDB bank Plc. The findings revealed that the identifying and reporting of the interest risk occurred and needed to be identified and reported to enable the organisation to take possible measures to minimize the effect of the interest risk in the organisation performance.

Figure 4.10 Frequent identifying and reporting Interest risk



Source: Field data 2015

According CRDB Bank annual report 2013, interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates.

4.5.3 Frequent identifying and reporting liquidity risk in the CRDB Bank

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend, (Annual Report CRDB Bank 2013).

The study set out to find out whether liquidity risk was the risk frequently identified and reported in the CRDB Bank Plc. The findings showed that 25 respondents that is 50% said that they strongly agreed that liquidity risk was frequently identified and reported in the bank, 15 respondents that is 30% said that they agreed that liquidity risk was frequently identified and reported, were 4 respondents that is 8% said they strongly disagreed that liquidity risk was frequently identified and reported, and 6 respondents that is 12% said that they disagreed that liquidity risk was frequently identified and reported in the bank. The findings revealed that identifying and reporting liquidity risk as any other risk in the bank enable the bank in controlling and minimizing the risks so as to increase the performance of the firm.

CHAPTER FIVE

DISCUSSION OF THE FINDINGS

5.1 Introduction

This chapter analyzed results from the data and interpretation of the research objectives. The discussion of the findings was based on the specific objectives of the study. The specific objectives of this study were; to determine how the firm controlled risk in the business, to determine the contribution of risk management towards business performance and to examine the risks that were frequently identified and reported by the CRDB Bank Plc.

5.2 To determine how the firm control risk in the business.

According to Research Objective, the study wanted to investigate how the firm controlled risk in the business. The data clearly depicted that the control of the risk in the organization was very important hence it stabilized and insured the firm's good performance as the firm managed to control the risk. The following were the ways or methods that the study found that was use by CRDB Bank Plc to control the risk. This includes the use of, bank internal control and internal auditing, insurance coverage, technology infrastructure, human resource and bank security system.

5.2.1 Internal control and internal auditing as control of risk in the organisation.

The study confirmed that the use of internal control and internal auditing in CRDB Bank Plc is used to control risk and hence the risk is controlled the performance of the bank increased.

This finding is in line with Pausenberger and Nassauer, (2002) study which found that control of risk has to be established at different levels. The control by the management board will not be enough to ensure the effective functioning of the risk monitoring system, because the management board members do not have time on their hands to exercise extensive control. Hence, the management boards install an independent unit to complete the task of internal supervision. This task is the responsibility of the internal audit. Also, the supervisory board is obliged to control the risk management process.

The study by Oldfield and Santomero (1997) examine how to control risk in the financial institutions, and the finding is that, the risk can be controlled in the firm using internal reports and regulations standards which will be under the internal control and the internal auditing of the firm. The study further noted that the position limits and rules used in controlling the risk whereby the organization maintain and report daily transactions to allow accurately and proper managing of the organization risks.

5.2.3 Bank insurance coverage as control of risk in the organisation

The study found that CRDB Bank Plc insure its property and credits against risks. The properties are insured against natural disaster and fire, while the loans to the clients are insured to avoid risks that might happen to the bank when the client failed to pay back the loan due either death. This helps the bank to have assurance of its performance. This finding confirm as;

Study done by Berg (2010) which found that, the risk in the firm can be controlled by transfer of the risk using insurance. The bank insures its risks to minimize the risk and losses that can be caused by that risk. In addition, risk can be controlled through continuously monitoring the risk in the firm.

5.2.4 Technology infrastructure as control of risk in the organisation

The study found that, the technology infrastructure used in CRDB Bank Plc, helped to minimize and control the risk in the firm which assured the increase of the bank performance. This finding confirm as:

CRDB Bank Plc annual report (2013) which show that, the bank implement mobile banking(Simbanking) for mobile money transfer, the bank has connection to the national fiber optic network across all its branches and has installation of KU Band Satellite dishes as backup to primary communication system

5.2.5 Human resource as control of risk in the organisation

The study findings showed that, the human resource in the CRDB Bank Plc was the major control unit of the risk in the firm, hence trained, professional, qualified and

well motivated employees were used to minimize the risk and to maximize the performance of the firm using their professions. This finding confirm as;

Study done by Al-Tamimi and Al-Mazrooei (2007) found that the UAE banks staffs have good understanding of risk and risk management, which might give an indication about the ability of these banks to manage risks efficiently in the future. Moreover, understanding risk and risk management had positive effect on risk management practice although it is insignificant.

Also the study by Boston Consulting Group (2001) found that the sole determining success factors are not the technical development but the ability to understand risk strategically and also the ability to handle and control risk organizationally. Secondly, in order to realize a risk based management philosophy, the attitude and mindset of the employees need to be changed whereby they must be brought to understand that managing risk is crucial for success. This implies that there must be intensive training, clearly defined structures and responsibilities, as well as commitment of the employee manage risk.

5.3 To determine the contribution of risk management towards business performance

This objective of the study tried to determine the contribution of the risk management toward business performance. The study found that the risk management contributed to business performance by increasing the profit due to minimization of the risks and losses that affected the profit of the firm. Also, the study showed that the risk management contributed to the performance of the organization through income generated from the interest credit and loans clients.

5.3.1 Contribution of risk management towards business performance due to profits.

The findings result showed that the risk management minimized the risks and costs in the organization which caused the increase in profit of the organization. This finding confirm as;

Study done by Dionne (2013) found that, the risk management maximizes the firm value via the reduction of costs associated with different risks. He also found that the

risk management can also improve the firm's capital structure, which suggests that companies in good financial health should use information advantage to establish strategies to hedge future prices.

Also study by Berg (2010), found that risk management support overall vision, mission and objective of an organisation. Since risk management is directed at uncertainty related future events and outcomes, it is implied that all planning exercise encompass form of risk management. He also argued that there is clear implication that risk management is in everyone's business, since people at all level can provide insight into the nature, likelihood and the impact of the risk. He found that risk management is about decision making that contribute to the achievement of an organization's objective by applying it both at individual activity level and in function areas.

Another study by Acharyya and Mutenga (2013), found that, the enterprises risk management create value when its infrastructure is fully embedded into a company's operations. Their study shows that enterprises risk management has a significant impact on the companies that effectively adopt it, since the adaptation of the risk management by the companies has enable them to reduce risk and add value of both shareholders and policyholders.

5.3.2 Contribution of risk management towards business performance due to income from interest

The findings show that the income generated as interest from loans CRDB Bank Plc offer, it increase the profit of the bank. The benefits from this interest widen the bank to attain its goals and to increase its performance. This finding confirm as;

CRDB Annual Report (2012), which show that the bank benefits on risk management to wholesale and increase bank performance. The CRDB Bank Plc during the year 2012 made loans to lower –income population totaling Tzsh 144billion at which the outstanding loans portfolio grew by 31 percent, from Tzsh 147 billion in 2011, to Tzsh 193 billion in the year 2012 and loan portfolio at a repayment rate of 98 percent.

5.4 To examine the risks that are frequently identified and reported by the bank

The study objective was established to examine whether there were risks frequently identified and reported by the CRDB Bank Plc. The following were the risks that the

study findings showed were frequently identified and reported by the firm. This included; credit risk, interest risk, liquidity risk and operational risk

5.4.1 Credit risk

The study finding shows that; the CRDB Bank Plc is frequently identified and report credit risk to enable the bank to control the risk. The frequently identifying and reporting credit risk in CRDB Bank Plc create the bank awareness on credit risk and allow proper monitoring of the risk. This finding confirm as;

CRDB Bank Plc annual report (2013),show that; the CRDB Bank committee reviews the Credit Policy at least once a year and ensures that it contains sound fundamental principles that facilitate the identification, measurement, control and monitoring of credit risk as well as having appropriate plans and strategies

BOT, (2010) show that, credit policies establish framework for the making of investment and lending decisions and reflect an institution's tolerance for credit risk. To be effective, policies should be communicated in a timely fashion, and should be implemented through all levels of the institution by appropriate procedures. Any significant deviation/exception to these policies must be communicated to the senior management/board and corrective measures should be taken.

5.4.2 Interest risk

The findings of the study showed that interest risk in the CRDB Bank Plc was the risk which was reported and identified frequently. This was due to the fact that the CRDB Bank Plc as financial institutions provided loans and credits to clients which is associate with interest risk caused by exchange rate and market fluctuation. The finding confirm as;

Study done by Berg (2010), found that: clear identifying and reporting of interest risk is essential for risk management. Risk management is an integral element of organization's management. However, for its successful adaptation it is important that in its initial stage, the identifying and reporting of risk is visible through the framework. The requirements on the identifying and reporting are fixed in a qualified and documented procedure.

5.4.3 Liquidity risk

The findings show that the CRDB Bank Plc, identify and report liquidity risk frequently in order to enable the bank to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. This finding confirms as;

CRDB annual reports (2013), show that, the liquidity risk identified and reported by the bank resulted to the total loss of Tzsh 2,498 billion which caused the run off shock of 20 percent.

5.4.4 Operational risk

The study findings showed that, the Bank was exposed to operational risks that arose from inadequate or failed internal processes, people, systems or external events. However, the bank had adequate operational risk policies and framework that catered for mitigation of these risks. This finding confirms as;

Study done by Archer and Haron (2007) found that, Islamic Banks are exposed to a number of operational risks those are different from those faced by conventional banks. They argue that the complexities of a number of their products, as well as their relative novelty in the contemporary financial services market, combined with the fiduciary obligations of Islamic bank when it acts as a Mudarib, imply that for Islamic Banks operational risk is very important consideration.

Also the study by Moore (2007) suggests that bank need to start collecting data, and there can be significant advantages in pooling information and using common definitions, standards, and methodologies for operational risk which is argued can lead to significant losses in all financial institutions.

CHAPTER SIX

CONCLUSION AND RECOMMENDATIONS

6.1 Introduction

This chapter is divided into two main parts. The first is about the conclusion made under this research study and the second part is about recommendations. The conclusion and recommendations made under this research study are based on the findings obtained under this research study. The areas for further research study are also given under this chapter.

6.2 Summary of the Study

The main aim of the study was to explore the contribution of the risk management to the business performance and to find out how it contributed towards business performance at Arusha Region. Specifically, the study needed to determine how the firms controlled the risk in the business, to determine the contribution of risk management towards business performance, and to examine the risks that are frequently identified and reported by CRDB Bank Plc.

The relationship of Risk management towards business performance, the study revealed that there was a strong relationship between risk management and firm's performance. It also revealed that CRDB bank policy rules and regulations supported the risk management strategy in the firm against other firms which did not consider risk management control measures.

On the side of control of risk in the organization, the findings of the study revealed that risk control in the organisation was very good and it led to profitability and increase in performance of the organisation. The organization that had good risk management had higher performance in terms of profit before and after interest and tax.

In addition to this, the study revealed that CRDB bank Plc had high performance in their business. They also managed well the project that they funded, had well maintained good governance and had good continuity of the business and security of the business.

The study also revealed that the methods used by the CRDB bank in risk management were insurance on the loans taken, make close follow ups to the borrowers, use collateral policy to control non performing loans and train the borrowers about the business they want to perform.

6.3 Conclusion

The banking industry has come and it is here to stay. Its activities cannot be undermined given the great role it plays in the economy of every country by receiving savings from the “haves” and making it available to the “have not’s”, us boosting productive investments.

While carrying out its activity, the bank was faced with a number of risks being cited as the most dangerous since the risks’ poor management could lead to a total disaster in the bank.

6.3.1 Firms control the risk in the business

The study concluded that as CRDB bank Plc, had a high performance in its business due to good control of the risks using internal control, insurance, the use of technology infrastructure, bank security system and good use of professional and qualified human resource . The study also concluded that CRDB bank Plc was ruling through policy and that it complied with the bank’s business standard, where products and clients are acceptable. The high performance of the organization was due to risk control and risk management. , The study showed that the bank had a department of information technology which maintained safety, through having the well maintained IT security and being able to identify and control risk of the business.

The study concluded that the insurance was one of the methods the bank used to control risk in the business. This was done by insuring the loan portfolios against defaults. The other methods were internal control and internal auditing, security system and trained human resource that reduced risks. This method was used by the bank to reduce risk and maintain risk management where desirable performance of the bank was met.

On the other hand, the study concluded that reporting about the risks that would occur and the risk that might happen was one of the methods of risk management, because

this could lead to awareness on the part of the management that some risks would happen so as to take the necessary measures including the use of mitigation methods to control those risks.

6.3.2 Contribution of Risk management towards business performance

The study concluded that there was strong relationship between risk management and firm performance, the proper management of the risk in the bank increase the performance of the bank since the risks which may affect the performance are minimize/prevented. The CRDB bank policy rules and regulations were seen to support the risk management strategy in the firm against other firms which did not consider risk management control measure. Risk control involve the use of physical measures, techniques, tools and /or training staff to avoid, reduce, prevent or eliminate the perceived threat or its financial consequences and other undesirable results of risks (Keith, 1992).

The study also concluded that the strong internal control and internal auditing of the firm had strong risk management strategies as they made assessment and analysis of the risk situation which increased bank performance rather than waked internal control and internal auditing in the organization.

On the part of human resource the study concluded that the strong human resource favoured the organization performance by managing risk of recruiting wrong and unprofessional employees; and by considering the benefits and the health of employees. Those well motivated employees were able to reduce risks which were unnecessary to happen in the company

The study concluded that there was high profit in CRDB bank Plc as the risk management policy was maintained and also as the bank used insurance to secure other loan portfolio, where CRDB bank report also commented on the performance of the bank and low risk portfolio

In addition, the study concluded that the bank's credits and loans provided to the customers and communities as they worked with the community, were very well controlled, where number of non-performing loans was diminishing. That showed that there was a good risk management and hence a high performance of the bank.

6.3.3 Risks frequently identified and reported by the CRDB Bank Plc

The study concluded that the risk that were identified and reported frequently were; credit risks, interest risks, liquidity risks and operational risks. The frequent identification and reporting of this risk enabled the organisation to monitor and take necessary measures to minimize the consequences that could be caused by these risks and hence made the management awareness of the risks. Any risk in an organisation needs to be identified and reported in order to be controlled resulting to good business performance.

6.4 Recommendations

Risk Management encompasses risk identification, assessment, measurement, monitoring and controlling all risks inherent in the business of banking. The following recommendations were provided to both banks and to the policy makers;

- The overall responsibility of risk management vests in bank's board. The board should outline risk management strategy and formulate well-defined policies and procedures. Risk management department be made on portfolio or business line basis, to adopt a holistic approach judging the overall risk exposure in assessing and managing risk profile of the bank.
- Irrespective of a separate risk review or management function, individual business lines or units should also be accountable for the risk they are taking.
- Wherever possible, risks should be quantitatively measured and reported.
- The risk review function should be independent of those who take risk.
- Banks should have contingency plans for any abnormal or worse case scenarios

6.5 Research limitations and Delimitation

Research as other tasks that need resources is always confronted by different setbacks. During the study the researcher was confronted with the following limitations:

6.5.1 Unavailability of data.

There was reluctance of the respondents in giving the important data required by the researcher. The response to questionnaires was challenging hence some of the

respondents failed to respond due to their tight schedule and other respondents were not ready to be interviewed by giving different reasons which lead to inaccurate information. In solving this problem the researcher have to wait for sometimes to allow the respondents to have enough time according to his or her schedule and sometime to conduct telephone interview so as to have the accurate data.

6.5.2 Financial constraints.

The researcher was faced with financial problems during the time of carrying out the study. As a result the few respondents delayed in responding to questionnaires distributed to them due to lack of financial motivation. In solving this problem the researcher tried to distribute many questionnaires to different respondents from different CRDB Bank branches so as to get more data.

6.6 Areas for Further Study

This study was carried out at CRDB Bank Plc. There is need to carry out further studies in other public corporations in order to compare the results with those found in this study. In addition, there is need to determine other factors that pose a challenge in facing bank industry on Risk management other than those covered in this study.

REFERENCES

- Al-Tamimi , H and Al-Mazrooei, F. (2007). *Banks' risk management: a comparison study of UEA National and Foreign Banks*. Journal of risk management Finance, 8 (4). 394-409.
- Archer, S. and Haron, A. (2007), “*Operational Risk Exposures of Islamic Banks*”, in Archer, S. and Karim, R. A. A. 2007, “Islamic Finance: The Regulatory Challenge”, John Wiley & Son (Asia) Pte Ltd.
- Association of Insurance and Risk Management (AIRMIC). (2002). *A Risk Management Standard*.
- Basel Committee on Banking Supervision.(2001). *Risk Management Practices and Regulatory Capital*. Bank for International Settlements, Switzerland
- Berg, H. P. (2010). *Risk Management: Procedures, Methods and Experiences*. RT & A #2(17) Vol.1
- Bertrand, N and Brown L. (2006). *Risk Management, a guide for Non-profit and Charitable Organisations*. Imagine Canada.
- Boffey, R and Robson, G.N. (1995). *Bank Credit Risk Management*. Managerial Finance, 21(1), 67-78.
- COSO. (2004). *Enterprise risk management-integrated framework, executive summary framework*.
- COSO. (2009). *Strengthening enterprise risk management for strategic advantage*.
- Chapman. S, Ward. C and Ward .S. (1997). *Project risk management process, technique and Insight*.UK. Wiley.
- CRDB Bank Plc, (2012). *Financial statements annual report*
- CRDB Bank, (2013). *Financial statements annual report*

- Dahiya, S. Saunders, A and Srinivasan, A. (2003). “*Financial Distress and Bank lending relationships*” The journal of Finance, Vol. Lviii (1). 375-400
- Dionne, G. (2013).*Risk Management: History, Definition and Critique*. Canada Research Chair in Risk management.
- FERMA.(2002). *A risk management standard*.
- Focardi, C. (2009). “*The Mortgage Crisis: How are credit risk managers responding?*” 70(3), 72-110.
- Gray, L and Larson, D. (2006). *Project management: The managerial Process*, 3rd Edition
- Greuning, H and Bratanovic, C.B. (2003). *Analysing and managing banking risk, A framework for assessing corporate Governance and financial risk*.2nd Edition, The World Bank, Washington DC
- Gustavasson, H. (2006). *A Risk Management Framework Designed for Trelleborg* AB Report 5195.
- Hassan, I and Wall, D. (2004).*Determinants of the loan loss allowance:Some cross-country Comparison*. The Financial Review, 39 (1).129-152
- Hopkin,P. (2010).*Fundamentals of Risk Management. Understanding evaluating And implementing effective risk management*. London Kogan Page Limited.
- IMF, (1999). *Annual report of executive board for the financial year ended 30th April*
- IRM. (2002). *A Risk Management Standard*.
- Kedar,B.Z.(1970).*A gain; Arabic Risq, Medieval Latin Risicum, Studi Medieval*. Centro Italiano Di Studi Sull Alto Medioevo.Spoleto.
- Keith, A.(1992). *Facilities Value Management*.Facilities,10 (4).14-18.MCB University press ,0263-27772
- Kohn, M. (1994). *Financial Institutions and Markets*. Custom Edition, Primis Custom Publishing.

- Khan, T and Ahmed, H. (2001). *Risk Management An analysis of issue in Islamic Financial Industry*. Islamic Development Bank Islamic Research and Training Institute. JEDDAH-Saudi Arabia.
- Kothari, C.R. (2004). *Research Methodology, Methods and Techniques*, Second Revised Techniques, Second Revised Edition, Repro India limited, Delhi.
- Lahrech, H. (2011). *Disarming the value killers; CRS viewed though a Sharp risk management lens*. Nottingham University.
- Maness, T.S and Zietlow, J.T. (2005). *Short Term Financial Management*, 3rd Edition. Thomson: South-Western.
- Macmillan Education. (2002). *Macmillan English Dictionary for advanced learners*. Compiled and edited by the Reference and Electronic Media Division of Bloomsbury Publishing Plc.
- Milton, G.(1999). *A Fascinating account of the spice is provided in "Nathaniel's Nutmeg"*. Nathaniel's Nutmeg Farrar, Strous and Girow. New York.
- National forum for Risk Management in Public Sector (ALARM) .(2002). *A Risk Management Standard*.
- Oldfield, G. S and Santomero, A. M. (1997). *The Place of Risk Management in Financial Institutions*. The Wharton Financial Institutions Centre, Wharton School University of Pennsylvania.
- Pausenberger and Nassauer. (2002). *Governing the Corporate risk management function*, in Frenkel, M, Hommel, U and Rudolf, M, 2005, *Risk management: challanges and opportunity* Springer
- Porter, E.M. (1996). *"What is Strategy?"* Harvard Business Review. Pg 61-78
- Power, M. (2004). *The risk management of everything*. London ,Hendy Banks.
- Rescher, N.(1983). *Risk; A philosophical Introduction to the theory of risk evaluation and Management*. Lanham, New York.

- Rowe. W. D. (1977). *An anatomy of risk* Chichester: John Wiley& Sons.
- RMA. (2011). *The Standard and Guideline for risk management*. Risk Management Authority.St.James House. Scotland.
- Simpson, D. W. (2013). *The evaluation of Risk Management*. DW Simpson Global Actuarial& Analytics Recruitment.Vol.3, (2).
- Sing, Y.K. (2006). *Fundamental of Research methodology and Statistics*. New International Publishers. New Delhi
- Sinkey , J.C. (1992). *Commercial bank financial management*. Macmillan Publishing Company, New York.
- Smith and Fischbacher. (2009). *The changing nature of risk and risk management: The challenge of borders uncertainty and resilience*. Palgrave Macmillan 1460-3799/09 Risk management Vol.11 (1).pp 1-12.
- Sparrow, A. (2010). *A theoretical framework for operational risk management an opportunity realization*. Treasury working paper.
- Stoneburner, G., Goguen, A and Finga, A. (2002). *Risk Management Guide for Information Technology System*. NIST Technology Administration U.S Department of Commerce.
- Stulz, R. (1996). *“Rethinking Risk Management”*. Journal of Applied Corporate Finance, Vol. 9. (3)
- Tabassum, R. Haneef,S.Ramzan, M. Rana, M. Ishaq, M and Karim, Y .
- (2012). *Impact of risk management On Non-performing Loans and Profitability of Banking Sectors of Pakistan*. International Journal of business and Social Science. Vol 3 (7)
- Taleb, N. (2007). *The Black Swam. The Impact of the Highly Improbable*. London: Penguin

- Taplin, R. and Schymyck, N. (2005). *Risk Management and Innovation in Japan, Britain and the United States*. New York: Routledge.
- Tufano, P. (1996). "Who Manage Risk? An Empirical Examination of Risk management Practice in Gold Mining Industry", *Journal of Finance*, 51, 1097-1137
- Tchankova, L. (2002). "Risk Identification-basic stage in risk management". *Environmental management and health*, 13(3).290-297
- Versluis, V. (2012). *Risk Management and Decision Theory*. Rotterdam University of Applied Sciences.
- Ward, S. and Chapman, C. (2001). *Transforming project risk management into project uncertainty management*. *International Journal of project management* Vol.21 (2003).pp.97-105
- William, G. Walker. Paul, L. Shenkir and Thomas, L. (2006). *Enterprises Risk Management: Pulling It All Together*. The Institute of Internal Auditors Research Foundation.

APPENDIX

Appendix: 1 QUESTIONNAIRE.

MZUMBE UNIVERSITY (CHUO KIKUU MZUMBE)

P.O BOX 63 MZUMBE MOROGORO.TANZANIA

Tel: +255 (0) 23 2604380/1/3/4 Fax: +255 (0) 23 2604382

E-mail: mu@mzumbe.ac.tz Website: www.mzumbe.zc.tz

I am Pallangyo Nikanuru S, a Mzumbe University student pursuing a Master of Science in Accounting and Finance .As part of the requirement for a Master of Science in Accounting and Finance (MSC A&F) at Mzumbe University; I am carrying out a study on **The contribution of risk management to the business performance: A case study of CRDB Bank Plc.** I humbly require you to spare some few minutes of your time to answer the questions below. The study is strictly for academic purpose and will be treated with almost confidentiality. Your cooperation is highly appreciated.

BACKGROUND INFORMATION

(Please tick in the space provided)

1. Respondent's

Sex: Male () Female ()

Position:

Manager () Risk management committee () Internal auditor ()

Head of department ()

others *(please specify)*.....

Level of Education:

Certificate () Diploma () Degree () Masters ()

Other *(please specify)*.....

METHODS USED BY THE FIRM TO CONTROL RISK.

2. Please read the statements in the table below which state the methods used by various business to control risk and state whether they are applicable in your business or not by ticking **(SD)** for *Strongly Disagree*, **(DA)** *Disagree*, **(A)** for *Agree* and **(SA)** for *Strongly Agree*.

STATEMENT	<i>SD</i>	<i>DA</i>	<i>A</i>	<i>SA</i>
	1	2	3	4
Insurance: transfer risks through insurance or leases or other contract.				
Frequently reporting to the responsible department any risk or situation which may lead to risk.				
Technology infrastructure				
Avoiding risk by removing risk through eliminating situation or activity that presents risk				
To insure the senior management oversight and control all business activities.				
To secure and maintain the informed participation in the systems of all relevant employees of the business.				

THE ITEMS WHICH MEASURE RISK MANAGEMENT IN THE BUSINESS

3. The table below show some items which measure the risk management in the business. Please read the items and state whether they are applicable in your business or not by ticking **(SD)** for *Strongly Disagree*, **(DA)** for *Disagree*, **(A)** for *Agree* and **(SA)** for *Strongly Agree*.

ITEMS	<i>SD</i>	<i>DA</i>	<i>A</i>	<i>SA</i>
	1	2	3	4
Organisational policy, rules and regulations				
Organisational operations				
Internal control and internal auditing				
Human resource behaviour				
Health of the employees'				
Organisation Safety and security				
Technology				
Company culture (core value, business principle and ethical standard)				

THE ITEMS WHICH MEASURE PERFORMANCE OF THE BUSINESS

4. The following items in the table below are used to measure the performance of the business, state whether they are applicable in your business or not by ticking **(SD)** for *Strongly Disagree*, **(DA)** *Disagree*, **(A)** for *Agree* and **(SA)** for *Strongly Agree*.

ITEMS	<i>SD</i>	<i>DA</i>	<i>A</i>	<i>SA</i>
	1	2	3	4
Profitability				
Excellence in the market competitions				
Teamwork				
Customers comments on the Service provided				
Core ethical values: integrity, responsibility, fairness, compliance, transparency, confidentiality.				

THE RISKS IN THE BUSINESS

5. Please read the types of the risk which are frequently identified and reported by different firms and state whether this risk also are identified and reported frequently in your business or not by ticking **(SD)** for *Strongly Disagree*, **(DA)** *Disagree*, **(A)** for *Agree* and **(SA)** for *Strongly Agree*.

Types of risks	<i>SD</i>	<i>DA</i>	<i>A</i>	<i>SA</i>
	1	2	3	4
Credit risk				
Interest risk				
Liquidity risk				
Operational risk				
Strategic risk				
Financial risk				
Hazard risk				

RISK MANAGEMENT MOTIVATION, IMPLEMENTATION AND EFFECTIVENESS

6. Is the risk management process in your company implemented? *(Please tick in the space provided)*

a) YES ()

b) NO ()

7. Do you think it is important for the company to have risk management? *(Tick in the space provided)*

(a) Yes ()

(b) No ()

8. If YES/NO. Please give reason/s

.....

9. In general, how will you describe the relationship in your company between risk management and performance in term of profitability? *(Circle the number that correspond)*

1. Very good
2. Quite good
3. Neither good nor bad
4. Quite bad
5. Very bad.

10. Does your company review new activities during the planning stage to identify and address risks? *(Please tick in the space provided)*

- a) Yes ()
- b) No ()

11. Is the CRDB Bank PLC faced with/ has it ever been faced by/with any problems or risks? *(Please tick in the space provided)*

- a) Yes ()
- b) No ()

12. Please identify the problem or risks that the bank has ever faced.

.....

.....

13. What steps were taken by the bank to deal with such problem?

.....

.....

14. Were the steps taken successful? *(Please tick in the space provided)*

- a) Yes ()
- b) No ()

15. What ways or strategies has the bank set to combat risks?

.....
.....

16. In your opinion, do the ways or strategies above have any impact to the bank?
(Please tick in the space provided)

- a) Yes ()
b) No ()

17. If YES/NO. Please give reasons

.....
.....

RISK MANAGEMENT PROCESS

18. Organisation of risk management in your company: Who is responsible? (Please tick in the space provided)

- a) Board of directors ()
b) Head of departments ()
c) Risk management unit ()
d) System controller ()
e) Internal audit ()
f) Others (please specify).....

19. Where is risk management documented? (Please tick in the space provided)

- a) Handbook of organisation ()
b) Handbook of risk management ()
c) Finance/controlling office ()
d) Quality management office ()
e) No written documentation ()
f) Others (please specify).....

RISK MANAGEMENT FUTURE CHANGES

20. Please read the

statement in the table below and identify the areas do you see there is need for changes in your company and state whether there is *Need for action* (A) OR *No need for action* (NA) and tick in the space provided

	A	NA
	1	2
Improving methods of risk assessment		
Development of corporate risk profile		
Implementation of early warning systems		
Integration of risk management into the corporate planning and controlling		
Improve the risk sensitivity of employees		
Creating and testing crisis management plan		

Thank you for taking your time in filling this questionnaire.