

**THE EFFECT OF RISK MANAGEMENT INDICATORS ON FINANCIAL
POSITION OF COMMERCIAL BANKS IN NAIROBI: A CASE OF EQUITY
BANK**

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
**A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS IN
PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD
OF THE DEGREE OF BACHELOR OF COMMERCE OF GREY
UNIVERSITY**

OCTOBER 2025

DECLARATION

DECLARATION


I Lilian Njoki declare that this entrepreneurship project is my original work and has not been presented to any other university for similar purpose or for other degree award.

SIGNATURE: 

DATE: 23/10/2025

SUPERVISORS' DECLARATION

I confirm that the work reported in this entrepreneurship project was carried out by the student under my supervision as the university supervisor.

SIGNATURE: 

DATE: 23/10/25

Name:

School of Business

Gretsa University

DEDICATION

I dedicate this research to my parents, siblings, friends and the businesses that would wish to use innovation practices to boost their financial performance.

ACKNOWLEDGEMENT

My sincere gratitude goes out to my friends for their encouragement over the study session. I also want to express my gratitude to the SMEs involved in fish production who consented to participate in their study.

ABBREVIATIONS AND ACRONYMS

APR - Annual Percentage Rate

CRM - Customer Relationship Management

KPIs - Key Performance Indicators

VAR - Value at Risk

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ABSTRACT

This study tends to investigate the causes of risk management indicators on the financial position of financial institutions, focusing on commercial banks, in particular, Equity Bank in Nairobi. The financial environment has grown more intricate, necessitating robust risk management practices to safeguard assets and maintain stability. The study aims to identify common risks faced by financial institutions, assess methods for risk identification and assessment, and evaluate the effectiveness of risk management strategies. Financial institutions encounter various risks such as operational risk, credit risk, market risk and compliance risk, posing significant challenges to the stability and well-being of stakeholders. Despite numerous risk management frameworks, it is important to evaluate their efficacy within different financial institutions and diverse risk environments. The study utilizes a descriptive research design, targeting professionals in risk management departments of selected financial institutions, with data being gathered using questionnaires focusing on risk exposure, risk appetite, and risk response time. Statistical analysis will be employed to evaluate the effectiveness of risk management strategies. Findings aim to contribute insights for enhancing risk management practices, refining regulatory frameworks, and instilling confidence in stakeholders regarding financial institutions' stability and resilience.

CHAPTER ONE: INTRODUCTION

1.1 BACKGROUND TO THE STUDY

Financial establishments are crucial in protecting the wealth and ventures of individuals and enterprises. Navigating and controlling uncertainties within these entities is essential to maintain resilience and secure clients' resources. In recent times, with the growing intricacy of monetary arenas and the constantly shifting compliance framework, the demand for robust uncertainty mitigation in financial establishments has intensified. The banking sector, particularly retail banking, is indispensable to economic steadiness, expansion, and progress. Recently, the global monetary terrain has encountered numerous obstacles, including economic slumps, regulatory shifts, and transforming market dynamics. These hurdles highlight the critical need for proficient uncertainty mitigation to preserve the fiscal vitality of banks. Uncertainty mitigation involves approaches that banks utilize to counteract potential hazards to their economic robustness. In Kenya's banking domain, retail banks confront diverse uncertainties stemming from economic volatility, variable lending rates, inflationary pressures, and currency fluctuations. Equity Bank, a prominent institution in Nairobi, has grown substantially and has diversified operations across East Africa. As Equity Bank continues to expand its operations, maintaining a solid risk management framework is essential to protect its financial position and sustain investor confidence. Prior research has examined commercial banks risk management procedures, emphasizing the difficulties in controlling risks in developing nations. According to Kamau and Ngugi (2020), efficient risk management is particularly crucial for Kenyan banks due to fluctuating economic conditions. A study by Ochieng and Onyango (2019) revealed that Kenyan banks with robust risk management systems tend to exhibit stronger financial performance metrics,

including improved ROA and reduced non-performing loan ratios. This study examined how Equity bank's financial situation was impacted by three important risk management metrics: risk exposure, risk appetite and risk response time. Assessing the extent to which these factors impact the bank's financial performance, namely as measured by Return on Assets (ROA), was the primary motivation behind doing this study. The study's findings may be helpful to Equity Bank as well as other financial institutions looking to fortify their risk management systems and guarantee long term financial stability, considering how competitive the Kenyan banking industry is.

1.2 STATEMENT OF RESEARCH PROBLEM

The commercial banking sector faces increasingly complex risks due to volatile economic conditions, regulatory changes, and competition. For Kenyan banks like Equity Bank, effective risk management is vital for sustaining financial stability and achieving profitability. Nevertheless, there is still a lack of research on the effects of various risk indicators on the financial condition of Kenyan banks, especially with regard to Return on Assets (ROA), even though risk management is widely acknowledged to be important. Chen and Lin (2017) suggest that poor management of risk exposure can lead to significant declines in ROA and financial stability, especially in unpredictable markets. Ahmed and Khan (2020) further indicate that an established risk appetite allows banks to manage potential financial disruptions more effectively, but they acknowledge a need for more evidence in emerging markets. Faster risk response times are essential for reducing financial losses, according to Brooks and Li (2021), but they advise more research on how this impacts banks in particular areas with unique economic difficulties. Few studies specifically look at how these risk management metrics affect Kenyan banks' overall financial standing. This study investigated the effects of risk exposure, risk appetite, and risk reaction

time on Equity Bank's return on assets (ROA) in order to bridge this gap. The study seeks to improve risk management frameworks that improve financial performance in Kenya's commercial banking industry by tackling this research challenge.

1.3 PURPOSE OF THE STUDY

This study aimed to explore the various strategies and approaches employed by financial institutions in managing risks. In doing so, it aimed to provide illustrations of optimal methodologies that can augment these establishments' stability and adaptability to a constantly changing and demanding financial environment.

1.4 CONCEPTUAL FRAMEWORK

Theoretical framework is a structure that presents the relationship between the central constructs in a given study (Kothari 2004). Conceptual framework offers and brings details of how the researcher perceives the relationship between variables deemed to be important in an investigation (Mugenda 2019). A study of the dependent variables demonstrating the impact of risk management indicators on commercial banks' financial performance is depicted in the figure below.

Independent variables
variable

Dependent

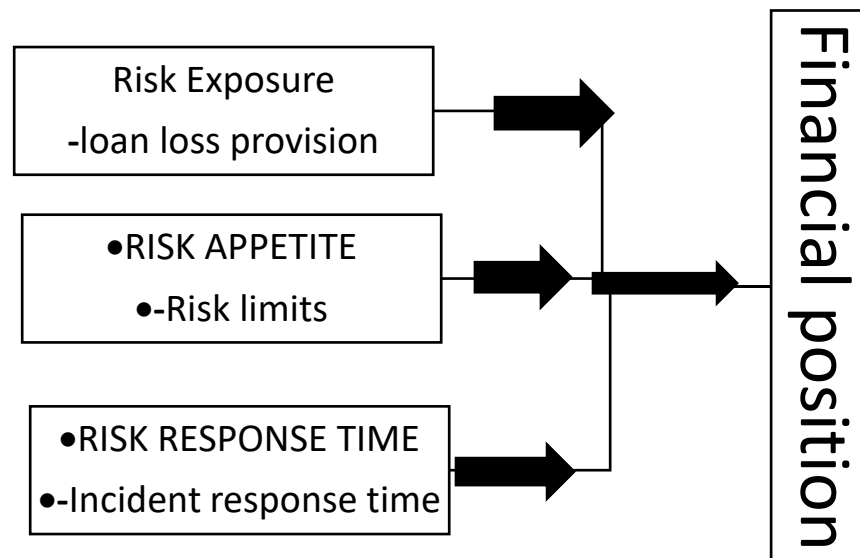


Figure 1: Conceptual framework

1.5 RESEARCH QUESTIONS

1. What is the effect of risk exposure on the financial position of Equity Bank?
2. What is the effect of risk appetite on the financial position of Equity Bank?
3. How does Equity Bank's financial standing relate to risk response time??

1.6 OBJECTIVES OF THE STUDY

1.6.1 General Objective

To investigate the effect of risk management indicators on the financial position of commercial banks in Nairobi.

1.6.2 Specific Objectives

1. To determine the effect of risk exposure on the financial position of commercial banks in Nairobi.
2. To investigate the effect of risk appetite on the financial position of commercial banks in Nairobi.

3. To ascertain how risk response time affects Nairobi's commercial banks' financial standing.

1.7 HYPOTHESES OF THE STUDY

Ho: The financial standing of commercial banks and risk exposure do not significantly correlate.

Ho: The financial standing of commercial banks and risk appetite do not significantly correlate.

Ho: The financial standing of commercial banks and risk response time do not significantly correlate.

1.8 SIGNIFICANCE OF THE STUDY

- i. This study is significant for several reasons:
- ii. It will give financial institutions insightful information to improve their risk management procedures.
- iii. Regulators can use the findings to improve regulatory frameworks and requirements.
- iv. Investors and stakeholders can gain confidence in the stability and resilience of financial institutions.

1.9 DELIMITATIONS OR SCOPE OF THE STUDY

This study focused on commercial banks in Nairobi, specifically Equity Bank. It primarily examined risk exposure, risk appetite, and risk response time.

1.10 LIMITATIONS OF THE STUDY

- i. Time constraints limited the depth of analysis for some institutions.
- ii. Access to proprietary risk management data was restricted.
- iii. The study's findings may not be universally applicable to all financial institutions due to varying risk profiles and regulatory environments.

1.11 Assumptions

The research posited that the details shared by fiscal entities concerning their uncertainty management approaches were truthful and all-encompassive. Additionally, it presumed that the selected organizations were archetypic of the larger financial sector in the specified region.

CHAPTER TWO: LITERATURE REVIEW

2.1 INTRODUCTION

This section offers a systematic examination of the literature pertinent to the study's goals as described in the first chapter. The analysis is structured into themes that correspond with the research's specific aims.

2.2 REVIEW OF LITERATURE RELATED TO THE MAIN CONCEPT

The literature on risk management in financial institutions is extensive, covering various aspects such as types of risks, risk assessment techniques, effective risk management strategies, and capital requirements.

2.3 REVIEW BY FIRST OBJECTIVE

The effect of risk exposure on banks' profitability and financial stability has been extensively researched. Chen and Lin (2017) state that higher exposure to credit risk significantly reduces profitability metrics such as ROA and ROE, especially in volatile economic conditions. They argue that banks must actively manage credit exposure to protect against adverse financial outcomes. Salim and Bilal (2019) discovered that banks with high non-performing loan (NPL) percentages suffer from higher losses and worse returns, underscoring the significance of having a balanced risk exposure to guarantee long term financial success. Commercial banks are exposed to high levels of credit and market risk, which can significantly affect their capital adequacy and asset quality (Kamau and Ngugi, 2020). Their findings demonstrated a negative correlation between excessive risk exposure and financial performance, underscoring the need for effective risk assessment practices to mitigate these impacts.

2.4 2ND THEME: REVIEW BY SECOND OBJECTIVE

Ahmed and Khan (2020) note that banks with a clearly defined risk appetite framework are better equipped to handle economic disruptions, maintaining profitability and stability even during downturns. They argue that setting appropriate risk limits enables banks to pursue growth while avoiding excessive risk-taking, aligning with long-term strategic goals. These results are corroborated by King and Ma (2018), who demonstrate that a clearly expressed risk appetite raises employee understanding of risk policies, improving adherence to risk limits and financial performance. Ochieng and Onyango (2019) found that Kenyan banks that proactively manage their risk appetite, through measures like capital buffers and diversified portfolios, are less likely to experience financial distress. They highlight the positive effect of a defined risk appetite on key performance metrics, including ROA and ROE.

2.5 3RD THEME: REVIEW BY THIRD OBJECTIVE

Shorter reaction times put banks in a better position to reduce losses and preserve asset quality, which raises ROA, according to Brooks and Li (2021). They suggest that quick response mechanisms are essential for navigating the fast-paced, complex risk environment in the banking sector. This claim is expanded upon by Sarker and Roshan (2022), who point out that banks that react quickly to operational risks—like fraud or technological malfunctions—face fewer interruptions and lower risk expenses. Their findings indicate that efficient risk response times improve banks' overall financial health by reducing the likelihood of high-risk incidents. A study by Kariuki and Mwangi (2020) highlights the importance of response time in managing operational and market risks for local banks. They discovered that banks that make investments in rapid reaction frameworks and real-time risk monitoring technologies

typically maintain higher asset quality and customer trust. This is particularly relevant for Equity Bank, which operates in a competitive market where slow responses to risks could erode its financial position and reputation.

2.6 THEORETICAL FRAMEWORK(S)

The Modern Portfolio Theory (MPT) and the Capital Asset Pricing Model (CAPM) serve as the theoretical underpinnings for the proposed study, which looks at the connections between risk, returns, and portfolio diversification. CAPM elucidates the impact of interest rates on asset pricing, while MPT guides the evaluation of uncertainty management approaches and capital allocation strategies.

- **CAPM:** This model elucidates the linkage between anticipated asset returns, particularly for equities, and systemic uncertainties inherent in investing. It posits a linear relationship between an investment's risk and its required return. The approach hinges on the asset's beta, the equity risk premium (the market's expected return minus the risk-free rate, typically tied to treasury bills), and the risk-free rate itself. Despite its limitations, such as reliance on oversimplified assumptions and a linear risk-return correlation, CAPM remains widely adopted due to its straightforwardness and utility in comparing investment options.
- **MPT:** This investment framework assists in constructing asset portfolios that optimize expected returns for a specified level of uncertainty. It is assumed that, for a given return level, risk-averse investors favor portfolios with reduced risk. Larger risks must be balanced by larger expected returns, according to MPT. Diversification, which implies that a portfolio with a variety of asset classes is less volatile than one with comparable assets, is at the heart of the theory.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 RESEARCH DESIGN

A descriptive research approach was chosen. This approach was suitable since it made it possible to examine risk management procedures at financial institutions in great detail. It facilitated gathering comprehensive data on different risk types, evaluation techniques, management strategies, and their efficacy. The descriptive approach supported the study's goal of delivering a detailed examination of risk management in financial institutions.

3.2 STUDY AREA

The study was Nairobi, chosen due to its concentration of diverse financial organizations including commercial banks to investment firms. This location provided a rich and varied environment for studying different approaches to risk management within the financial sector.

3.3 TARGET POPULATION

The target for this research included all the 52 branches of Equity Bank in Nairobi

3.4 SAMPLING TECHNIQUES

A stratified random sampling approach was employed to get the sample for this study.

3.5 SAMPLE SIZE

All the 52 branches were divided equally into 6 groups then 2 branches were picked from each group, giving a sample size of 12 branches.

3.6 MEASUREMENT OF VARIABLES

Table 1: Measurement of variables

Variable	Measures/Indicators	Measurement Scale	Question Number
Financial Position	Return on assets	Likert	Q1
Risk Exposure	Loan loss provisions	Likert	Q2
Risk Appetite	Risk limits	Likert	Q3
Risk Response Time	Incident response time	Likert	Q4

3.7 RESEARCH INSTRUMENTS

The research instruments consisted of a structured questionnaire. The questionnaire was designed to gather data on the identified variables. The questions were carefully constructed to ensure clarity and relevance to the study objectives.

3.8 VALIDITY OF MEASUREMENTS

- **Face Validity:** The survey was evaluated by a group of risk management specialists to confirm that the questions effectively captured the targeted variables.
- **Content Validity:** The survey was crafted through an extensive analysis of existing literature and discussions with field experts.
- **Construct Validity:** The survey items' structure and theoretical framework alignment were evaluated using a confirmatory factor analysis.

3.9 RELIABILITY OF MEASUREMENTS

The Cronbach's alpha coefficient was used to evaluate the questionnaire's reliability. Reliability is ensured by a high Cronbach's alpha score (>0.7), which shows internal consistency among the questionnaire items.

3.10 DATA COLLECTION TECHNIQUES

Questionnaire were distributed to the chosen participants in the financial institutions as part of the of the data collection process. Because the survey were distributed electronically , effective data gathering and minimizing logistical challenges. Participants were given a reasonable time frame to complete the questionnaires.

3.11 DATA ANALYSIS

The data was evaluated using the following statistical methods:

- Descriptive statistics (e.g., mean, standard deviation) were applied to outline the properties of the variables.
- Inferential statistics, conducted via SPSS, including regression analysis, were utilized to examine hypotheses concerning the efficacy of uncertainty mitigation approaches.

3.12 Logistical and Ethical Considerations

- **Logistical Considerations:** Sufficient measures were taken to ensure confidentiality and safe data storage. The collaborating financial institutions granted the necessary access and authorization.
- **Ethical Considerations.** Prior to data collection, the goal of the study was described, and participants were made fully aware of their rights to consent.. The confidentiality of responses was maintained, and the research adhered to ethical guidelines and standards.

CHAPTER FOUR: RESULTS AND FINDINGS

4.1 INTRODUCTION

This section delivers a visual depiction of the research's outcomes and conclusions. It offers both descriptive and inferential evaluations of the findings, aligned with the study's objectives. The chapter is organized into several segments, including respondents' general data, descriptive analysis, correlations, model summary, ANOVA, and coefficients.

4.2 GENERAL INFORMATION

4.2.1 Response Rate

A total of 12 questionnaires were distributed and accurately completed by participants. Following collection and data refinement, they were inputted into SPSS for analysis. This resulted in a response rate of 100%, as illustrated below.

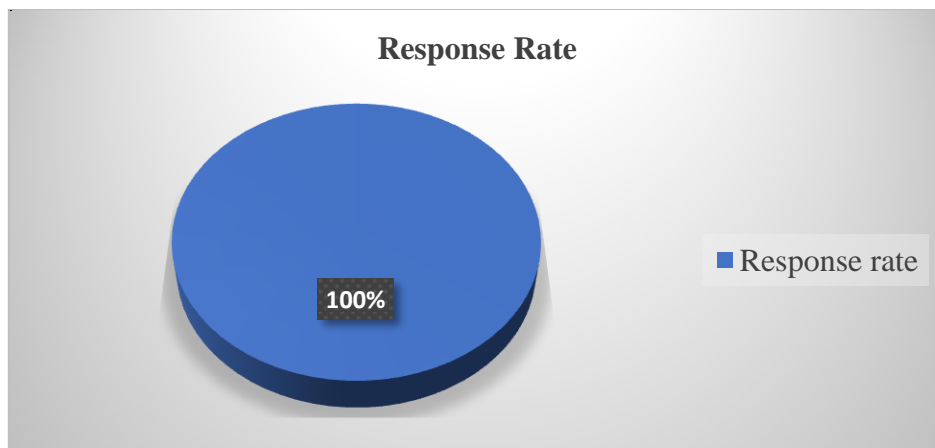


Figure 2:Response rate

4.2.2 Position in Bank

This study sought to determine the position the respondents held and the figure below shows 41.7% were risk managers, 16.7% were financial analysts, 16.7% were operations managers, and 25% were compliance officers.

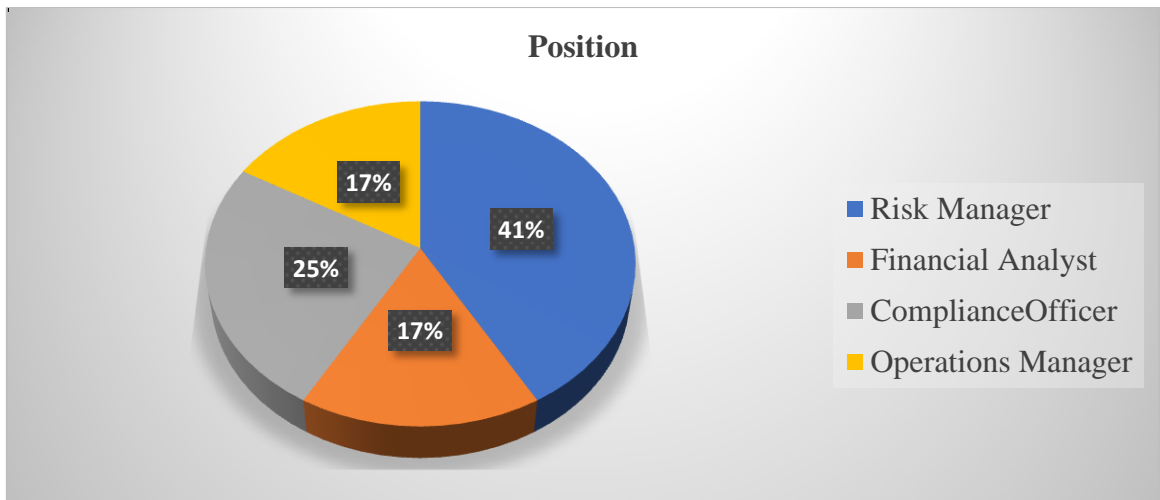


Figure 3: Respondents working position

4.2.3 Years of Experience

This research aimed to assess the years of banking experience among respondents. The chart below illustrates that 25% possessed over 10 years of experience, 41.7% had 7–10 years, and 33.3% had 4–6 years.

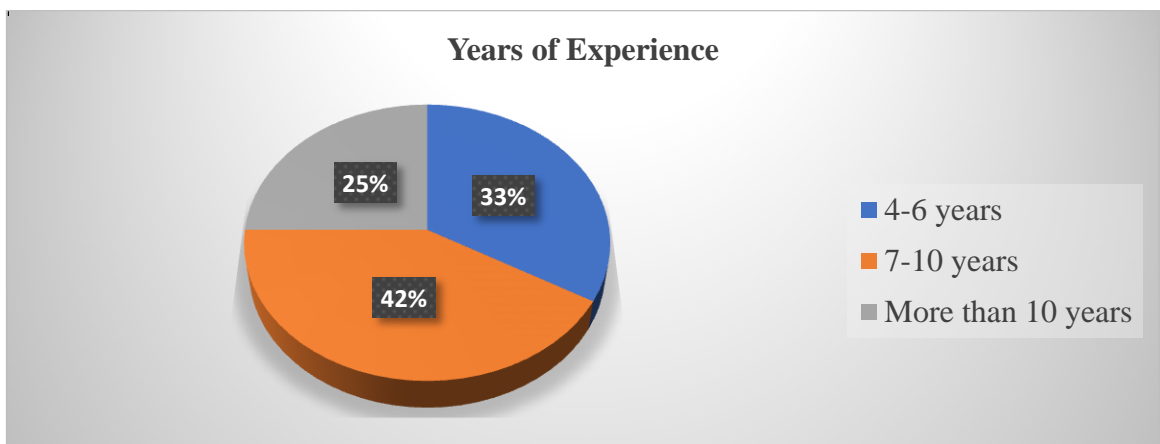


Figure 4: Respondents years of working experience

4.2.4 Level of Risk Involvement

The purpose of this section was to ascertain the respondents' degree of risk management involvement. According to the statistic below, 41.7% of people were indirectly involved in risk management, while 58.3% were actively involved.

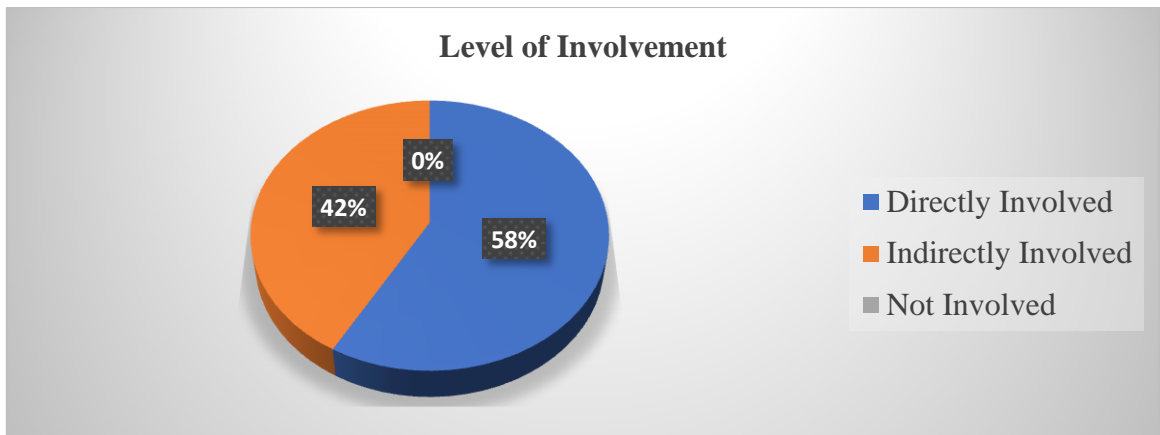


Figure 5: Level of risk involvement

4.2.5 Level of Education

This study's primary goal was to determine the respondents' educational background. As the chart below demonstrates, 50% of respondents had a PhD, 41.7% held a Master's degree, and 8.3% held a Bachelor's degree.

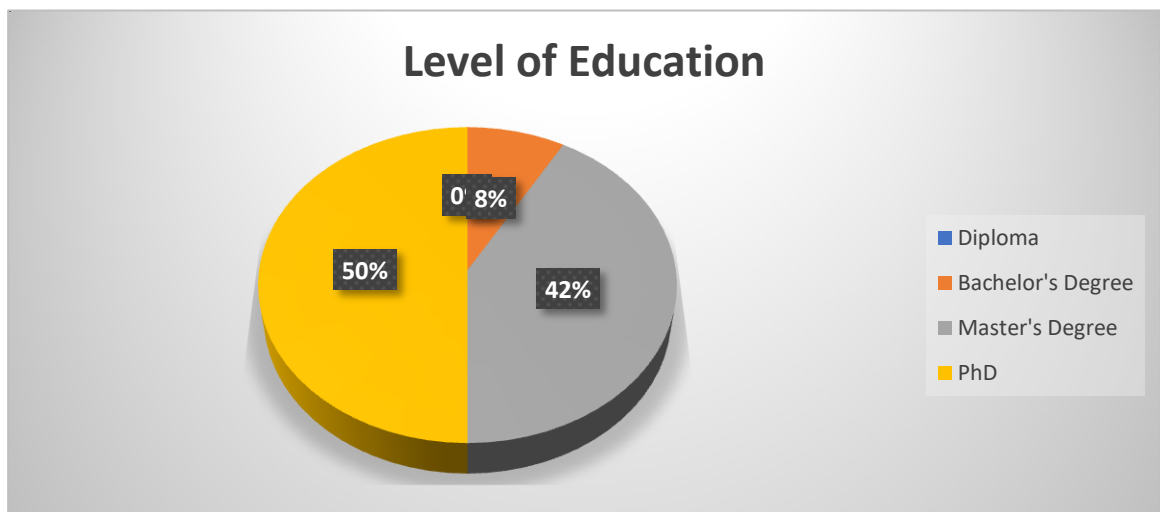


Figure 6: Level of education

4.3 DESCRIPTIVE ANALYSIS

This section provides the descriptive analysis of the variables that were used in this research.

4.3.1 Risk Exposure

The evaluation below indicates that the statement “Equity Bank has mechanisms to address exposure to foreign exchange and interest rate uncertainties” garnered the highest agreement, with 83.3% of respondents strongly endorsing it. Conversely, the statement “Operational uncertainties, such as system breakdowns or errors, are a significant issue at Equity Bank” received the highest disagreement, with 91.6% of respondents opposing it.

Table 2: Risk exposure

	SD	D	N	A	SA	Mean	Std. Dev
	%	%	%	%	%		
Bank exposure to credit risk	33.3	41.7	8.3	8.3	8.3		
Equity Bank actively monitors market risks that could affect its financial performance	0	0	25	50	25		
Operational risks such as system failures or errors, are a major concern at Equity Bank	33.3	58.3	8.3	0	0		
Review of exposure level	0	0	0	66.7	33.3		
Equity Bank has processes in place to manage exposure to foreign exchange and interest rate risks	0	0	0	16.7	83.3		
Total Mean and Std Dev							

4.3.2 Risk Appetite

The statement “The bank has clearly defined the types and levels of risk it is willing to accept” has the highest level of agreement, with 91.7% of the respondents strongly agreeing.

Table 3: Risk appetite

	SD	D	N	A	SA	Mean	Std. Dev
	%	%	%	%	%		
The kinds and amounts of risk that the bank is willing to take on are well-defined.	0	0	0	8.3	91.7		
Equity Bank aligns its risk appetite with its strategic objectives and financial goals	0	0	0	25	75		
Risk appetite limits are regularly communicated to all relevant staff members	0	0	41.7	50	8.3		
Equity Bank's risk-taking choices align with its framework for risk appetite.	0	0	0	50	50		
The bank frequently assesses whether its risk appetite is appropriate for its financial position	0	0	0	41.7	58.3		
Total Mean and Std. Dev							

4.3.3 Risk Response Time

With 91.7% of respondents strongly agreeing, the statement "The bank has efficient processes in place for risk identification and response" received the greatest degree of agreement..

Table 4: Risk response

	SD	D	N	A	SA	Mean	Std. Dev
	%	%	%	%	%		
Equity Bank can quickly implement risk mitigation measures when new risks emerge	0	0	0	33.3	66.7		
The bank has efficient processes in place for risk identification and response	0	0	0	8.3	91.7		
Equity Bank's response time to risks has improved	0	0	16.7	41.7	41.7		
Resources dedicated to handling urgent risks and issues as they arise	0	0	0	50	50		
Equity Bank's risk management team can respond to crises without significant delays	0	0	50	50	0		
Total Mean and Std. Dev							

4.3.4 Financial Position

The most respondents (66.7%) strongly agreed with the statement, "Effective risk management has positively influenced Equity Bank's ROA."

Table 5: Financial position

	SD	D	N	A	SA	Mean	Std. Dev
	%	%	%	%	%		
The ROA of Equity Bank has benefited from efficient risk management.	0	0	0	33.3	66.7		
The bank's profitability has shown consistent growth due to improved risk management practices	0	0	8.3	66.7	25		
Equity Bank's financial stability reflects its ability to manage risks effectively	0	0	8.3	58.3	33.3		
There is a strong relationship between risk management practices and Equity Bank's ROA	0	0	16.7	66.7	16.7		
The bank's investment in risk management has led to an improvement in financial performance	0	0	0	41.7	58.3		
Total Mean and Std. Dev							

4.4 CORRELATIONS

This section presents and interprets the correlations among the variables examined in the study, focusing primarily on how the independent variables influence the dependent variable: Equity Bank's financial position. A correlation of 0.064 between risk exposure and financial position reflects a negligipositive correlation, indicating that risk exposure exerts a minimal impact on Equity Bank's financial standing. Risk appetite and financial situation have a modestly positive association ($r = 0.122$), indicating that risk appetite has little bearing on the bank's financial stability. A correlation of -0.038 between risk response time and financial position indicates an

infinitesimal negative correlation, suggesting that these factors have almost no linear relationship, which means that variations in risk response time have very little impact on the financial situation.

Table 6: Correlation

	Risk Exposure	Risk Appetite	Risk Response Time	Financial Position
Risk Exposure	1	.389	-.094	.064
Risk Appetite	.389	1	.179	.122
Risk Response Time	-.094	.179	1	-.038
Financial Position	.064	.122	-.038	1

4.5 REGRESSIONS

4.5.1 Model Summary

The model can explain 1.9% of the fluctuation in the financial position, according to its R square of 0.019. This implies that there is very little correlation between the factors and the result. The independent variables in this model risk exposure, risk appetite, and risk reaction time do not actively explain the variation in the financial situation, according to an adjusted R square of -0.034. The model's predictions are reasonably accurate, as indicated by the standard error of the estimate of 0.629.

Table 7: Regression

Model	R	R Square	Adjusted R	Std. error of
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			Square	the estimate
1	.137a	.019	-.034	.629

4.5.2 ANOVA

The independent variables (risk exposure, risk appetite, and risk response time) are not particularly good at describing changes in financial position, according to the regression model's sum of squares, which is 0.422. The significance value of 0.785 indicates that the model is not statistically significant, indicating that the independent variables do not statistically significantly affect the financial position

Table 8:Regression

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	.422	3	.141	.355	.785b
Residual	22.178	56	.396		
Total	22.600	59			

4.5.3 Coefficients

Table 9:Coefficients

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.

(Constant)	3.957	.692		5.715	<.001
Risk Exposure	.004	.064	.008	.055	.956
Risk Appetite	.124	.141	.130	.880	.383
Risk Response Time	-.051	.116	-.060	-.440	.662

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

This chapter is the conclusion of the study. It provides the study's discussions, conclusions and recommendations.

5.2 SUMMARY OF THE STUDY

The purpose of this study was to look into how different risk management elements affected Nairobi's commercial banks' ability to remain financially stable. Its particular goals were to determine how risk exposure affected these banks' financial health, how risk appetite influenced their financial situation, and how risk response time affected their financial standing. Because it allowed for a comprehensive analysis of risk management procedures in banking organizations, a descriptive study approach was used. In order to give a thorough analysis of risk oversight in banks, this strategy made it easier to gather extensive data on risk kinds, assessment techniques, risk management strategies, and their efficacy. All 52 Equity Bank branches in Nairobi were the focus of the study. They were divided into six equal clusters, and two branches were chosen at random from each cluster to create a sample of 12 branches. Participants were given questionnaires to complete in order to collect primary data. In order to test hypotheses about the efficacy of risk management practices, data analysis employed suitable statistical techniques, such as regression analysis and other inferential techniques via SPSS software. Descriptive statistics, like means and standard deviations, were also used to summarize the features of the variables under study. The findings demonstrated a little negative link between risk response time and financial stability, but a small positive correlation between risk exposure and risk appetite. The independent variables of risk exposure,

risk appetite, and risk reaction time did not adequately explain variations in the banks' financial stability in this context, according to the adjusted R-squared value of -0.034.

5.3 CONCLUSIONS

5.3.1 Risk Exposure and Financial Position

A correlation coefficient of 0.064 indicated a very weak positive relationship between risk exposure and financial stability. This suggests that risk exposure has very little influence on Equity Bank's financial stability. The relationship is not statistically significant for the financial status, as indicated by the p-value of 0.956. The financial standing of commercial banking organizations may therefore not be accurately predicted by risk exposure.

5.3.2 Risk Appetite and Financial Position

A somewhat weak positive relationship was indicated by the correlation of 0.122 between risk appetite and financial stability. This points to the limited influence that risk appetite exerts on Equity Bank's overall financial health. A p-value of 0.383 demonstrates that risk appetite holds no statistical relevance to financial status. Overall, these outcomes imply that risk appetite does not exert a substantial influence on the financial standing of commercial banking entities.

5.3.3 Risk Response Time and Financial Position

The connection between risk response duration and financial stability revealed a correlation coefficient of -0.038, signifying a highly faint negative association, which indicates virtually no straight-line linkage between these elements. This means that shifts in risk response duration exert practically negligible influence on the financial health. Furthermore, a p-value of 0.662 confirms that risk response duration lacks statistical importance.

5.4 RECOMMENDATIONS FOR POLICY AND PRACTICE

In light of the results, this study suggests the following actions to strengthen the bank's financial standing in relation to risk management:

1. Reevaluate risk management indicators

Add more risk management metrics that could have a more direct effect on financial position and better reflect the intricacy of financial outcomes.

2. Invest in advanced risk analysis tools and techniques

Install analytical tools and software that enable more dynamic, real-time risk factor monitoring and analysis. The bank can increase the efficacy of risk response and more precisely identify new hazards by utilizing these technologies.

3. Strengthen risk response and mitigation strategies

To find and fix possible problems before they affect the financial situation, implement improved risk monitoring procedures and an early-warning system. This might include frequent audits, risk simulations, and increased collaboration across departments to address risks promptly.

4. Periodic review and adjustment of risk appetite framework

Create processes to review and update the bank's risk appetite based on market trends, regulatory changes, and internal performance data. Adjusting risk limits in line with financial objectives can help maintain a balance between growth and stability.

5.5 RECOMMENDATIONS FOR FURTHER RESEARCH

To better understand the connections between risk management elements and financial stability in the commercial banking industry, more research should be done in the following areas, according to the study's conclusions and limitations:

Explore additional risk management indicators

To better understand their impact on financial stability, future research should examine a broader set of factors, such as credit risk, liquidity risk, operational risk, and market risk. This approach could provide a more comprehensive insight into how various risk elements influence financial performance.

1. Investigate the impact of macroeconomic variables

Incorporate macroeconomic elements such as interest rates, inflation rates, GDP expansion, and currency exchange fluctuations into upcoming investigations to evaluate their influence on banks' financial stability alongside risk management metrics.

2. Conduct a comparative study across different banks

Subsequent studies might contrast various banking institutions employing diverse risk handling approaches to examine differences in their financial standings. Such comparisons could encompass larger versus smaller banks or those operating across distinct geographical areas.

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APPENDICES

APPENDIX I: LIST OF EQUITY BANK BRANCHES IN NAIROBI

1. Equity Bank Kenya Head Office
2. Equity Centre Supreme
3. Accra Road (Tearoom)
4. Avenue Branch
5. Buruburu Branch
6. Community Branch
7. Community Corporate Branch
8. Corporate Branch
9. Dagoretti Corner Branch
10. Diaspora Branch
11. Donholm Branch
12. Eastleigh BBS Mall Branch
13. Embakasi Branch
14. Enterprise Branch
15. Garden City Branch
16. Gikomba Branch
17. Harambee Avenue Branch
18. Industrial Area Kenpipe Branch
19. Imaara Mall Branch
20. JKIA Cargo Branch
21. Kahawa West Branch
22. Kamakis Branch
23. Kangemi Branch

24. Karen Branch
25. Karen Supreme Centre
26. Kariobangi Branch
27. Kasarani Branch
28. Kayole Branch
29. Kawangware Branch
30. Kenyatta Avenue Branch
31. Kenyatta Avenue Supreme Branch
32. Kenyatta Market Branch
33. Kenyatta University Branch
34. Kibera Branch
35. Kimathi Branch
36. Kilimani Branch
37. Kilimani Supreme Branch
38. KNUT House Branch
39. KPCU Branch
40. Lavington Supreme Branch
41. Mayfair Supreme Branch
42. Moi Avenue Branch
43. Mombasa Road Branch
44. Nairobi West Branch
45. Ngara Branch
46. OTC Branch
47. Parliament Road Corporate Branch
48. Ridgeways Branch

49. Ruai Branch

50. Ruaka Branch

51. Tom Mboya Branch

52. Westlands Branch

APPENDIX II: QUESTIONNAIRE

RESEARCH TOPIC: THE EFFECT OF RISK MANAGEMENT INDICATORS ON FINANCIAL POSITION OF COMMERCIAL BANKS IN NAIROBI: A CASE STUDY OF EQUITY BANK

This research seeks to understand the effects of risk management indicators on the financial position of Equity Bank, with a focus on risk exposure, risk appetite, and risk response time.

Section A: General Information

1. What is your position in the bank?
 Risk Manager () Financial Analyst () Compliance Officer () Operations Manager ()
2. How many years of experience do you have in banking?
 Less than 1 year () 1-3 years () 4-6 years () 7-10 years () More than 10 years ()
3. What is your level of involvement in risk management?
 Directly Involved () Indirectly Involved () Not Involved ()
4. What is your highest level of education?
 Diploma () Bachelor's Degree () Master's Degree () PhD ()

Section B: Risk Exposure

5. Using the scale: 1- Strongly Disagree, 2- Disagree, 3- Neutral, 4- Agree, and 5- Strongly Agree, please rate the following questions as it relates to your organization.

	1	2	3	4	5
The bank has a high level of exposure to credit risk					
Equity Bank actively monitors market risks that could affect its financial performance					
Operational risks such as system failures or errors, are a major concern at Equity Bank					
The bank regularly reviews its risk exposure levels across different departments					
Equity Bank has processes in place to manage exposure to foreign exchange and interest rate risks					

Section C: Risk Appetite

6. Using the scale: 1- Strongly Disagree, 2- Disagree, 3- Neutral, 4- Agree, and 5- Strongly Agree, please rate the following questions as it relates to your organization.

	1	2	3	4	5
The bank has clearly defined the types and levels of risk it is willing to accept					
Equity Bank aligns its risk appetite with its strategic objectives and financial goals					
Risk appetite limits are regularly communicated to all relevant staff members					
Equity Bank's decisions on risk-taking are consistent with its risk appetite framework					
The bank frequently assesses whether its risk appetite is appropriate for its financial position					

Section D: Risk Response Time

	1	2	3	4	5
Equity Bank can quickly implement risk mitigation measures when new risks emerge					
The bank has efficient processes in place for risk identification and response					
Equity Bank's response time to risks has improved over the past year					
The bank has resources dedicated to handling urgent risks and issues as they arise					
Equity Bank's risk management team can respond to crises without significant delays					

Section E: Financial Position

	1	2	3	4	5
Effective risk management has positively influenced Equity Bank's ROA					
The bank's profitability has shown consistent growth due to improved risk management practices					

Equity Bank's financial stability reflects its ability to manage risks effectively					
There is a strong relationship between risk management practices and Equity Bank's ROA					
The bank's investment in risk management has led to an improvement in financial performance					

THANK YOU.