CONTROL ENVIRONMENT AND LIQUIDITY LEVELS IN INDIGENOUS UGANDAN COMMERCIAL BANKS.

BY

WATHOWAN MARCELO NOEL

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DECLARATION

I, **Wathowan Marcelo Noel**, hereby declare that this work is my own and that it has never been submitted to Makerere University or any other higher institution of learning for any award.

Signed ....

25/1/5/10

Wathowan Marcelo Noel

APPROVAL

This is to certify that this dissertation has been submitted with our approval as University Supervisors.

Signed .... Date 26/10/2010

Dr. Isaac Newton Kayongo

Makerere University Business School

Signed .... Date 26/10/010

Mr. Nixon Kamukama

Makerere University Business School

DEDICATION

This dissertation is dedicated to my dear wife and children to encourage them to love education and to my course mates as my inspiration for academic challenge.

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TABLE OF CONTENTS

DECLARATION i

APPROVAL .... **Error! Bookmark not defined.**

DEDICATION iv

ACKNOWLEDGEMENTS v

TABLE OF CONTENTS vi

LIST OF ABBREVIATIONS x

ABSTRACT xiii

CHAPTER ONE : INTRODUCTION 1

1.1 Background to the Study 1

1.2 Statement of the Problem 3

1.3 Purpose of the Study 3

1.4 Objectives of the Study 3

1.5 Research Questions 4

1.6 Significance of the Study 4

1.7 Scope of the Study 4

1.8 The Conceptual Framework 6

CHAPTER TWO: **LITERATURE REVIEW** 8

2.0 Introduction 8

2.1 Control Environment 8

2.1.1 Control activities 9

2.1.2 Information and communication 10

2.1.3 Corporate Culture 10
2.1.4 Competence Levels 11
2.1.5 Quality of Audit Committees 11
2.1.6 Management Integrity and Ethics 12
2.2 Accountability 13
2.2.1 Transparency 13
2.2.2 Disclosures 14
2.3 Monitoring 14
2.3.1 Reconciliations 15
2.3.2 Internal Checks and Audits 15
2.4 Liquidity Levels 16
2.4.1 Liquidity and borrowed funds 16
2.4.2 Liquidity Ratios 17
2.4.3 Asset Liquidity Management 18
2.5 Deposits with the Central Bank 19
2.5.1 Commercial Deposit and Loan Exposure 19
2.6 Managing Access to Funds 20

CHAPTER THREE: **METHODOLOGY** 21
3.0 Introduction 21
3.1 Research Design 21
3.2 Population 21
3.3 Sample Size 21

3.4 Data Collection Instruments 22

3.5 Validity and Reliability of the Instrument 23

3.6 Data Analysis 23

3.7 Measuring the Variables 24

3.8 Limitations 25

CHAPTER FOUR : DATA PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS .. 26

4.0 Introduction 26

4.1 Demographic characteristics 26

4.1.1 Gender 27

4.1.2 Age group of the Respondents 27

4.1.3 Number of years the respondent has worked in the bank 28

4.1.4 Working experience 29

4.1.5 Education levels 30

4.1.6 The respondents' level in relationship with the bank. 30

4.2 Market share of indigenous commercial bank. 31

4.2.1 Financial standing of local banks. 32

4.3 Factor Analysis 32

4.4 Descriptive Statistics 37

4.5 Correlation analysis. 38

4.5.1 Relationship between control environment and liquidity levels 38

4.5.2 Relationship between control environment, monitoring and accountability 39

4.6 Regression Analysis 39

CHAPTER FIVE : **DISCUSSION AND CONCLUSION OF RESULTS/FINDINGS**....... 41

5.0 Introduction 41

5.1 Demographic characteristics of respondents. 41

5.2 Control environment 42

5.3 Accountability 43

5.4 Monitoring 43

5.5 Relationship between Control environment and liquidity levels. 44

5. 6 Relationship between control environment, monitoring and accountability. 45

5.7 Impact of independent variables to the dependent Variable 46

5.8 Conclusions of the findings. 46

5.9 Recommendations 48

5.9.1 Area of Further research 49

REFERENCES 50

APPENDICES 56

APPENDIX 1: QUESTIONNAIRE 56

APPENDIX 2: FINANCIAL STATEMENTS 61

APPENDIX 3: INTRODUCTORY LETTERS 65

LIST OF ABBREVIATIONS

IFRS	:	International Financial Reporting Standards
BOU	:	Bank of Uganda
TT &L	:	Treasury Tax and Loan
MUBS	:	Makerere University Business School
CAMELS	:	Capital Assets Management Earnings Liquidity Sensitivity.
SPSS	:	Statistical Package for Social Scientists
Repos	:	Repurchases
CPA	:	Certified Public Accountants
ACCA	:	Association of Chartered Certified Accountants.
FIS	:	Financial Institutions Statute.

LIST OF TABLES

Table 1: Indigenous Commercial Banks and targeted staff to answer questionnaires 22

Table 2: Reliability Coefficients for Study Variables. 23

Table 3: Gender of the Respondents 27

Table 4: Age group of respondents 28

Table 5: Working experience of respondents with the bank 29

Table 6: Educational Level of the Respondents 30

Table 7: The respondents' relationship with his/her bank 30

Table 8: The Bank's Market Share In the Commercial Banks Market............31

Table 9: The Current Financial Standing of the Bank 32

Table 10: Rotated Matrix for Control environment 33

Table 11: Rotated Component Matrix for Accountability 35

Table 12: Rotated Component Matrix for Monitoring............36

Table 13: Descriptive Statistics 37

Table 14: Pearson's Correlation Coefficient Matrix 38

Table 15: Regression Analysis of the variables............39

LIST OF FIGURES

Figure 1: Control environment and Liquidity levels Model..6

ABSTRACT

The study was set out to investigate the relationship between control environment and liquidity levels in indigenous Ugandan commercial banks. The purpose was to analyze the relationship between control environment, monitoring, accountability and liquidity levels. According to Bank of Uganda (2008) there was a reduction in rate from 19.27 to 15.88, but the commercial banks could not reduce their rate due to inadequate liquidity. Also indigenous Ugandan commercial banks reported in their returns, falling liquidity ratios by 16.4% from 2004 to 2007 (Bank of Uganda, 2007).

The study was a cross sectional survey. Stratified and purposive sampling design was conducted on a sample of 118 randomly selected respondents from indigenous Ugandan commercial banks operating at their headquarters in Kampala. The researcher used both primary and secondary data. The data was collected using administered questionnaires and analyzed using a Statistical Package for Social Scientists (SPSS). A multiple correlation coefficient and regression analysis were run to establish relationship between the study variables.

Regression results revealed that the combination of Control environment, accountability and monitoring significantly predicted or explained up to 19% of the variance in liquidity levels. However monitoring was the most significant predictor of liquidity levels (beta = .243). The main recommendation is that indigenous Ugandan commercial banks should maintain and strengthen control environment in order to enhance their liquidity levels.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Control environment is one of the key components of an entity's internal control system which sets the tone of an entity, influences the control consciousness of the people within that organization and is the foundation for all other components of internal control system (D'Aquila, 1998; Ramos, 2004). In banking institutions the responsibility of managing bank affairs rests with the board of directors and audit committees (Beasley, 1996). The board of directors, audit committees and other top management play the role of setting the control environment in these institutions for managing the liquidity levels. Banks, simultaneously engage in deposit-taking from depositors and lending to borrowers (Kashyap, Rajan & Stein, 1999). Banks follow their control environment to develop their corporate culture, competence levels, quality of audit committees and promote integrity and ethical values of their staff in performing their work to win the confidence that the public needs (Basel Committee of Bank Supervision, 2003). Control environment aims at ensuring achievement of adequate liquidity levels. When control environment is strong, it would be okay to hold sufficient liquidity, which in the event of demand, there would be enough funds to meet the requirements of the stakeholders (Kashyap, et al., 1999).

Control environment has a direct relationship with accountability and monitoring in commercial banks (Bank of Uganda, 2007, Jenkins, 2008). Strong control environment results into self monitoring and transparent accountability disclosure by the bank staff. Weak control environment requires stringent monitoring reconciliations, internal checks and audits, without which the accountability disclosures would not be transparent, hence not reporting the true liquidity levels (Basel Committee of Bank Supervision, 2003; Kimotho, 2005). In the recent past, a number of indigenous Ugandan commercial banks operated under weak control environment. Such an environment is partly expected to be characterised by accountability and monitoring systems that would ensure sound management of the banks' liquidity levels.

According to Bank of Uganda (2008) the indigenous Ugandan commercial banks reported a falling liquidity ratio by 16.4% from 2004 to 2007. While in the resent past some banks were not able to maintain adequate liquidity levels that would meet the demands of their customers, hence they ended up by either, being closed down, taken over and or sold off.

Bank of Uganda recently reduced its bank rate from 19.27 to 15.88, but commercial banks did not respond by reducing their rate, instead it was reported that, the commercial banks frequency of inter-bank lending and participating in Treasury bill sales had been quite reduced, due to lack of liquidity (Bank of Uganda, 2009).

Understanding the relationship between control environment and liquidity levels contributes to the sustainability of the Banks' business. Available literature on banking business has not covered the role of control environment in ensuring liquidity of banks. It was on this background that the study was set to investigate the relationship between control environment and liquidity levels in indigenous Ugandan commercial banks.

1.2 Statement of the Problem

Despite existing control environment and regulatory measures in indigenous Ugandan commercial banks, these banks have continued to exhibit inadequate liquidity levels. Returns from commercial banks revealed, falling liquidity ratios by 16.4% from 2004 to 2007 (Bank of Uganda, 2007). When Bank of Uganda reduced its rate from 19.27 to 15.88, the commercial banks could not reduce their rate, due to inadequate liquidity as evidenced by Bank of Uganda reports on the freezing of inter-bank lending and the reduced frequency in auctioning of treasury bills (Bank of Uganda, 2009). The commercial banks have ignored the importance of creating strong control environment, appropriate monitoring and transparent accountability disclosures. This research therefore seeks to establish whether there is relationship between control environment, monitoring, accountability, and liquidity level in indigenous Ugandan commercial banks.

1.3 Purpose of the Study

The purpose of this study was to investigate the relationship between control environment and liquidity levels in indigenous Ugandan commercial banks.

1.4 Objectives of the Study

(i) To examine the relationship between control environment and liquidity levels in indigenous Ugandan commercial banks.

(ii) To examine the relationship between control environment, monitoring and accountability in indigenous Ugandan commercial banks.

(iii) To ascertain whether control environment, monitoring and accountability factors impact on liquidity levels in indigenous Ugandan commercial banks.

1.5 Research Questions

To achieve the above objectives, the study was guided by the following research questions:-

1) What is the relationship between control environment and liquidity levels in indigenous Ugandan commercial banks?
2) What is the relationship between control environment, monitoring and accountability in indigenous Ugandan commercial banks?
3) What impact do control environment, monitoring and accountability factors have on liquidity levels in indigenous Ugandan commercial banks?

1.6 Significance of the Study

i) The study will help the indigenous Ugandan commercial banks to manage their control environment in order to improve on their liquidity levels amidst the changing economic conditions.

ii) The results of the study will be used as a resource for further research on commercial banks in general.

iii) The study would be of help to regulatory authorities, such as Bank of Uganda and policy decision makers to redirect their attention to more appropriate areas of concern in indigenous Ugandan commercial banks.

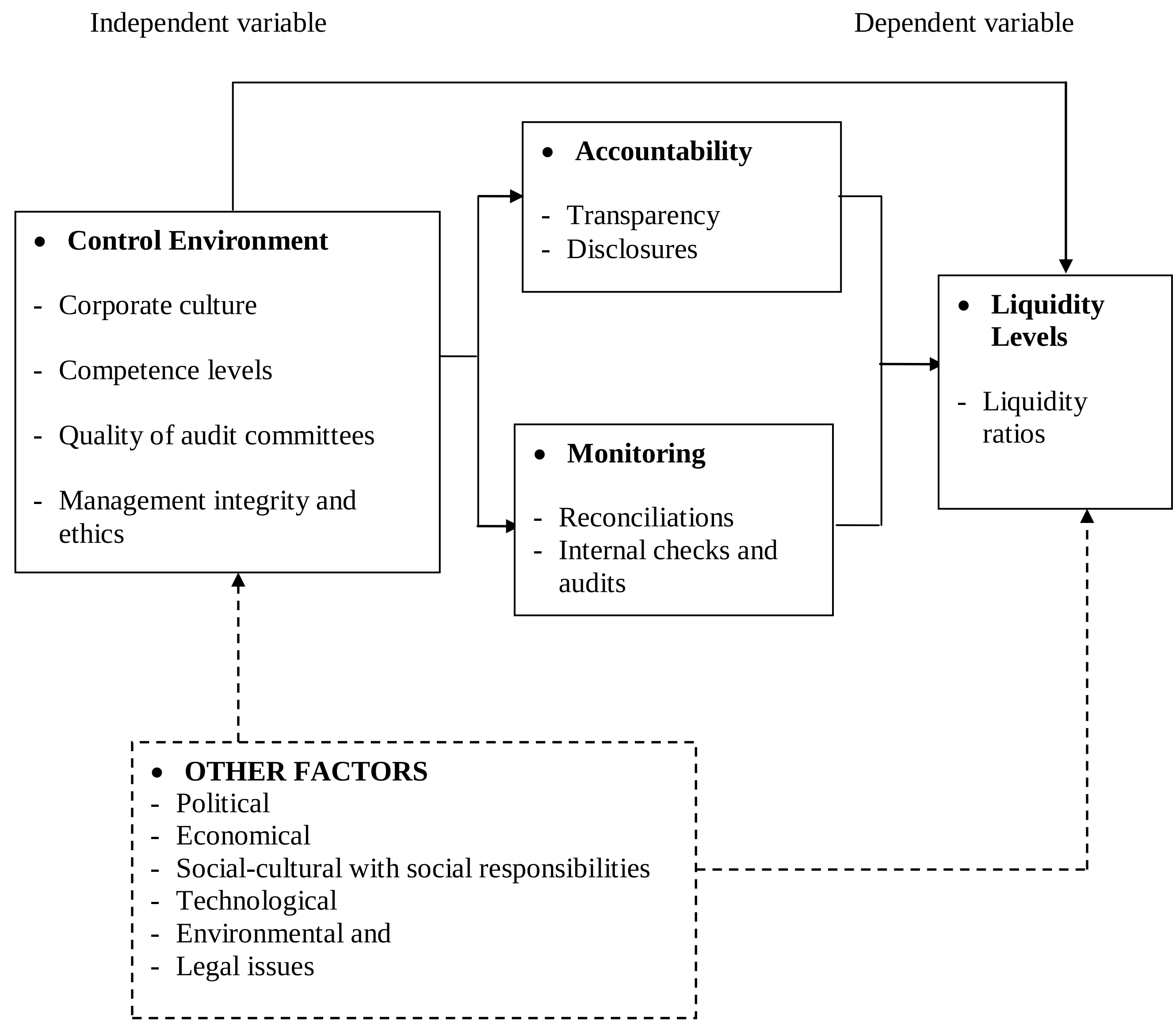
1.7 Scope of the Study

The study conceptually covered control environment, accountability, monitoring and liquidity levels in indigenous Ugandan commercial banks.

The study limited itself to four indigenous Ugandan commercial banks operating in Kampala at their headquarters namely; Centenary bank, Crane bank, Housing Finance bank and National bank of commerce. These banks were chosen because they are purely Ugandan and have no financial backing from international commercial Banks and the recent bank failures in Uganda involved mainly the indigenous Ugandan commercial Banks (Matama 2006).

1.8 The Conceptual Framework

Figure 1: Control environment and Liquidity levels Model.



Source: Adapted and modified from literatures, Matama (2006), D'Aquila (1998), Baral (2005), Saayman (2003) and Rae & Subramaniam (2004).

The conceptual model is a modification of concepts studied by various researchers on control environment, monitoring, accountability and liquidity levels. These include Matama (2006), D'Aquila (1998), Baral (2005), Saayman (2003) and Rae & Subramaniam (2004). In the broad conceptual framework, control environment is the independent variable and liquidity levels is the dependent variable. Accountability and Monitoring are intervening variables. It is assumed that there is a significant relationship between the independent and dependent variables, independent and intervening variables and independent, intervening and dependent variables. This model recognizes other factors that affect the liquidity levels in commercial banks, which for the purpose of this research shall not be subject of study.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This section presents a review of the work that has been done by scholars and researchers in the field of commercial banks internationally and locally. In this area the literature is quite wide, but the research conceptually covered these variables with their constructs; control environment, monitoring, accountability and liquidity levels.

2.1 Control Environment

Control environment is one of the key components of an entity's internal control, it sets the tone of an entity, influences the control consciousness of all people within the organization and is the foundation for all other components of internal control system (Ramos, 2004). Some of the components of control environment for this study are; corporate culture, Competence levels, Quality of audit committees and Integrity and ethics (D'Aquila, 1998 & Ramos, 2004). According to Rae & Subramaniam (2006), the core of any organization is its people and they are the engine that drives the organisation. They further assert that individual attributes (integrity, ethical values and competence) and the environment in which they operate determine the success of the institution and that the control environment as established by the organisation's administration sets the tone of an institution and influences the control consciousness of its people. Control environment factors as listed by Subramaniam et al., (2006), include:

- Integrity and ethical values;
- The competence of an institution's people;
- Leadership philosophy and operating style;

- The way management assigns authority and responsibility and organizes and develops its people.

In relation to Subramaniam et al, (2006) organisational values cannot rise above the integrity and ethics of the people who create, administer and monitor them.

2.1.1 Control activities

According to Jenkinson (2008), control policies and procedures must be established and executed to help ensure that actions necessary to achieve the institution's objectives are effectively carried out. It is further argued that control activities are the policies and procedures that help ensure that management directives are carried out and also controlled activities occur as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties. Similarly reviews should be made of actual performance versus budgets, forecasts and performance in prior periods and performance reviews should be made of specific functions or activities. Reviews in banks may focus on compliance, financial or operational issues.

Ramos (2004) suggests that a variety of control activities should be performed to check the accuracy and completeness of information as well as the authorization of transactions. Development of new systems and changes to existing ones should be controlled. Additionally, access to programs and data should be restricted. Physical controls include control of equipments, inventories, securities, cash and other assets which should be secured physically and periodically counted and compared with amounts shown on control records. Performance indicators may be through anticipating certain operating results by investigating unexpected results that jeopardize the achievement of the banks' objectives. Duties are segregated among different people to reduce the risk of error or inappropriate actions. For example, responsibilities for authorizing transactions, recording them and handling the related assets should be separated.

2.1.2 Information and communication

Communication systems represent the institution's channels and methods of conveying important information, policies and directives as cited by Robert & Abbie (2003).

In relation to the above, surrounding control environment activities are information and communication systems that enable the organisation's people to capture and exchange the information needed to conduct, manage and control its operations therefore pertinent information must be identified, captured and communicated to appropriate personnel on a timely basis, thus effective communication must flow down, across and up the Organisation.

2.1.3 Corporate Culture

The core of any business is its people and these people live in a work environment or condition which is governed by the control environments. According to Schein (1985), corporate culture is a set of shared norms and values expressed in terms of common language, shared coding and procedures and shared knowledge about an organization. Creating a positive corporate culture is a factor to mitigate incidences of fraud in an organisation. Research results indicate that wrong doing occurs less frequently when employees have positive feeling about an entity than when they feel abused, threatened or ignored (Berkowitz, 1993). Hence they feel empowered and it promotes transparent disclosures in their accountability, minimum reconciliations, internal checks and audits of transactions and activities (Gordon & Di Tomaso, 1992). In strong corporate cultures, norms and values are extremely widespread in the organization as the employees will always talk good of the organization, unlike in weak corporate cultures (Kotter & Hesketts, 1992 and O'Reilly & Chatman, 1996).

2.1.4 Competence Levels

According to Wierszyto and Bohowicz (2007), competence is a body of knowledge, experience, capabilities, skills and attitudes, and also the readiness of employees to operate in a particular way and the ability to adapt to changing conditions and providing such behaviour that enables carrying out the tasks on the required level specified by employer. Lawson (2004) suggests capacity, as being more passive power of a structure to attract, contain or receive, while competence means an ability with skills and knowledge that has been acquired and is ready to put to action. Therefore, high competence levels will be in line with transparent disclosures in accountability and will involve minimum reconciliations, internal checks and audits in commercial banks. According to Simpson (2007), skilled and knowledgeable people are easy to manage, train and cope with new situations. Kizirian (2004), in his recent study found that, competent management tone has a significant impact on the strength of the organisation controls on employees.

2.1.5 Quality of Audit Committees

According to Blue Ribbon Committee on Improving Effectiveness of Corporate Audit Committees (1999), it recommends that each audit committee should have at least one financial expert as its member, hence, the importance of financial literacy and expertise of audit committee members. Dezoort and Salterio (2001), find that audit committee members with financial reporting and audit knowledge are more likely to understand auditor judgements and can fruitfully get involved in auditor-management dispute solving, than members without such knowledge. Krishnan (2005), presents evidence that audit committees with financial expertise are less likely to be associated with the incidence of internal control problems and conflict of interest. According to Beasley & McMullen (1996), good quality audit committee will impact positively on the transparency and disclosure accountability with minimum reconciliations, internal checks and audits at monitoring transactions and activities.

2.1.6 Management Integrity and Ethics

According to Du Toit (2002), integrity comprises of value-based system in order to manage ethical behaviour within an organization, and should play an important part in the day-to-day operations within the organization. It is further maintained that management of commercial banks should be entrusted with people who are honest with integrity and ethical values. According to Ho (2003) and Rijal (2006), management ethics involves managerial discipline, independence, protection of shareholders' rights, fairness, transparency, board responsibilities for assets and other accountability, social awareness and environmental issues. Ho (2003) and Rijal (2006), further assert that, part of any organization that has the most control over governance is the Board of Directors, and is said to be the 'soul' of a company, which holds the business decision for the whole entity. Management that displays integrity and ethical values in its actions promotes transparent disclosures in its accountabilities and will require minimum reconciliations, internal checks and audits in monitoring transactions and activities (Ho, 2003 and Rijal, 2006).

2.2 Accountability

Accountability is a situation where the subordinates' manager has the right to expect the subordinate to perform the jobs, and the right to take corrective action in the event that the subordinate fails to do so (Bateman & Snell, 1999). King II (2002) distinguishes between accountability and responsibility in the manner where, one is liable to render an account when one is accountable, and be called to account when one is responsible. Normally people are held accountable for what has been entrusted to them by their job descriptions and their subsequent fiduciary duties. According to Haskin (2004), Congress passed the Sarbanes-Oxley Act (SOX) in 2002 as a response to the public outcry over lack of proper financial accountabilities, which led to the collapse of large corporations such as Enron, WorldCom and others.

2.2.1 Transparency

According to Enoch, Stella and Khemis (1997) and Rosengren (1998), transparency in the banking sector as a whole includes public information on bank regulations and safety net operations of the central bank. Transparency is key to bank corporate governance, and when there is high transparency, expected results is reduction in information asymmetry between a firms' management and the financial stakeholders, hence mitigating agency problems in the organization (Sandeep, Patel & Lilicare, 2002). In Uganda the recent bank failures have been associated with lack of transparency in their operations (Yunusu, 2001). Tadesse (2006), using a range of survey-based metrics found that banking crises are less likely in countries with greater regulated disclosures and transparency. Hence, high level of transparency and disclosures, enable banks to maintain true adequate liquidity levels (Tadesse, 2006).

2.2.2 Disclosures

Organizational information disclosures can either be to the advantage of the organization or to its disadvantage (Healey & Palepu, 1993). But for commercial banks it is in their robust accountability framework, that disclosures be made as public policy objectives (Eccles & Mavrinac, 1995). Accountability and disclosures are at the top of the agenda in commercial banks to restore the public trust, following the recent bank closures in Uganda, of International Credit Bank, Greenland bank, and others (Japheth, 2001). Cordella & Yeyati (1997), showed that public disclosure can indeed serve to reduce bank risk taking, but to the extent that the bank has control over its portfolios. While on another approach, Plantin, Sapra and Shin (2007) and Corlleti (2007 as cited by Bushman & Wlliams, 2007), focus on the potential negative effects on accounting on bank soundness in relation to liquidity levels.

2.3 Monitoring

Monitoring is one of the most important aspects of internal controls in any banking institution, used internally, while externally central banks use regulatory and supervisory measures (Bank of Uganda). Monitoring is an on going activity which involves performing procedures periodically and reviewing banks documentation to confirm that all procedures have been performed as required (Muhota, 2005). The tools used in many organizations are reconciliations, internal checks and audits to ensure the accuracy of transactions being reported in financial statements in monitoring loans (Diamond, 1984). The entire process must be monitored and modified as necessary, thus the system can react dynamically to changing conditions. Internal control systems need to be monitored, a process that assesses the quality of the system's performance over time. This is accomplished through ongoing monitoring activities, separate evaluations or a combination of the two. Ongoing monitoring occurs in the course of operations. It includes regular management and supervisory activities and other actions personnel take in performing during their duties. A good monitoring system should be able to identify internal control deficiencies and be reported immediately to top administration and governing boards as stated by Calomiris & Khan (1991).

2.3.1 Reconciliations

Commercial banks have millions of transactions on daily basis. Reconciliations come in to confirm that all deposits recorded were made, all bank fees charged were recorded and that, no funds were disbursed from the accounts without being recorded (Muhota, 2005). In an ordinary business, a classical example is bank reconciliation, which reconcile the difference between what the bank reports and what the financial statements show. At many times the bank reconciliation proves that the financial statement amount is not exactly correct (Wells, 2002). Hence, a method of timely monitoring reconciliations ensures, true liquidity levels is maintained.

2.3.2 Internal Checks and Audits

According to Millichamp (1990), internal checks are the checks on the day to day transactions, which operate continuously as part of the routine system, whereby the work of one person is proved independently or is complementary to the work of another, to enable prevention or early detection of errors and fraud. Internal audit is an independent appraisal function within an organization for the review of systems of controls and the quality of performance, as a service to the organization (Millichamp, 1990). Studies have used an agency cost framework to illustrate the value relevance of the internal audit function (Carey, Tanewski & Simnett, 2000 and Carcello, Hermanson & Raghunandan, 2005). Hence, internal checks and internal audits make it possible to monitor liquidity levels in commercial banks.

2.4 Liquidity Levels

Liquidity levels in a bank are determined by the extent to which the liquidity of the banks' assets differ from the liquidity of its liabilities (Deep and Schaefer, 2004). Liquidity, according to Niehans and Hewson (1976) refers to the "money-ness" of the assets and liabilities. When the ratio of liquid liabilities to liquid assets is low, it means there are adequate liquid assets that can be disposed off to settle liabilities on demand (Kashyap et al., 1999). Solvent financial institutions may be driven to insolvency as result of mismanagement of short-term liquidity (Bou-Said & Saucier, 2003). Unmatched position of the assets and deposits potentially enhances profitability, but it also increases the risk of losses (The Ugandan Banker June, 2001).

2.4.1 Liquidity and borrowed funds

According to Basel committee of bank supervision (2003) the importance of liquidity is recognized by its separate rating among the CAMELS components; a bank experiencing severe liquidity problems is in danger of failure and a bank has liquidity when it can obtain sufficient funds, in a timely manner, at a reasonable cost. Borrowing represents a form of funding which has seen increased use by commercial banks, particularly with the advent of access to the Federal Home Loan Bank and typical forms of borrowing include federal funds purchased or term loans, Treasury Tax and Loan (TT&L) accounts held under a note option, assets sold with recourse and securities sold under an agreement to repurchase (repos). Borrowed funds may be justified and warranted if they are well managed and serve one or more of the following purposes:

- To meet customers' temporary or seasonal loan or cash requirements
- To meet large, unanticipated deposit withdrawals which may arise during periods of economic distress
- As an ongoing component of an effective liability management program.

Borrowing may be unjustified if it is necessitated by poorly planned funds management practices, or is used to fund inadequately controlled loan or investment expansion as listed by Deep & Schaefer (2004).

2.4.2 Liquidity Ratios

Liquidity refers to the ability of an organization to meet its current obligations as and when these become due. In commercial banks this is very vital for their survival in the market. As the banks' main business is to accept deposits from depositors and lend money to borrowers, they must carefully match these activities, lest they run into trouble (Kashyap, et al., 1999). Current assets are a major component of the balance sheet for a company, which at any time can be easily disposed off for cash within one operating cycle and assist an organization when it is in need of cash. If there is short fall in current assets, a company must seek for short-term funds, as banks use inter-bank lending. Any fixed-income investment that matures in less than one year is considered as current asset (Domowitz, 1995).

2.4.3 Asset Liquidity Management

According to Baral (2005) liquidity requirement in banks can be met through the sale or liquidation of assets and banks have much more discretion over the extent of their asset holdings than liability holdings. To a large degree the level of deposits is driven more by the independent decisions of bank customers. With this relationship in mind, the level of liquid assets required by a bank will depend on how stable the deposit and funding base is as well as the stability of the demand for funds. If there is stability in funding and demand for loan funds, a lower level of liquid assets is needed (Saayman, 2003). Alternatively, if either or both of these potential sources of liquidity pressures tend to be unstable, a higher level of liquid assets that can be easily and quickly converted to cash is required. Thus, the asset side of the balance sheet can be broken down under international accounting standards, by the degree of liquidity of the asset portfolio. The primary purpose of highly liquid assets that generally provide lower yields than other assets is to serve as a liquidity resource to meet the needs of the bank. On the other hand, the primary purpose of less liquid loans and investments is to provide income to the bank. The following discussion breaks down the primary assets of the typical bank from the most liquid assets to the least liquid assets and offers pertinent comment as noted by Bushman & Williams (2007). Assets of varying levels of liquidity should be categorized in accordance with their credit quality, marketability and market value. Banks should establish thresholds for minimum holdings at all times of different categories of liquid assets for liquidity management purposes. Such thresholds will be set in light of factors, such as a bank's loan portfolio quality, stability of funding sources and their associated costs and short term funding requirements. The 'liquidity' assets used should be imaginative and of high quality so that they can be readily liquidated without incurring a substantial discount (Saayman, 2003).

2.5 Deposits with the Central Bank

According to Bank of Uganda (2002), Quarterly Economic Report on commercial banking activities, BOU establishes reserve requirements for banks that are largely maintained in the form of deposit balances with the BOU; holdings of domestic currency making up the remainder. Altogether, at present these requirements mandate that a bank must maintain, each day, an amount equal to at least 6 percent of its total deposits in its reserve/settlement account at the BOU. In addition, since the banks are required to ensure that they meet these requirements, they maintain balances above this amount, perhaps in the range of 3 to 5 percentage points of the total deposit base. In the ordinary course of business, these balances, since they must be maintained to meet BOU requirements, are not available to meet short term liquidity needs of the commercial banks.

2.5.1 Commercial Deposit and Loan Exposure

Because of the uncertainties associated with deposits and loans from other financial institutions and non-bank operators (e.g. corporations, fund managers) a continuing assessment of a bank's exposure to such sources of funds should be maintained (Matama, 2006). A ratio of net liquid assets to total deposits and loans from other financial institutions of over 30 days maturity and from non-bank operators of over 30 days maturity plus ordinary deposit accounts, may be calculated to signal any undue exposure. Similarly, the ratio of advances to deposits will reflect on the extent to which commercial credit activity is financed by commercial deposits. Liquidity concentration risk, associated with large individual depositors, should be continually monitored in terms of amounts involved and their loyalty to the bank, to control the bank's reliance on them. A regular assessment should be made of individual depositors with deposits representing over 2 % of total shillings and foreign currency liabilities (Andrian Shin 2008).

2.6 Managing Access to Funds

Berger & Bouwman (2007) mentioned that a bank should assess periodically its efforts to maintain diversification of liabilities and foster relationships with liability holders. The assessment should be by individual funding sources classified by providers of funds, instrument type and geographic market. The bank should establish internal limits on the maximum funds it will accept from any one counterparty or funding market (for example commercial paper). While Blue Ribbon committee (1999) emphasized that banks should explore developing arrangements, where they can borrow against assets and or dispose of assets in the given market and legal environment, to keep the balance between assets and liabilities.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This section of the study consists of research design, research procedure, sampling procedure, research sample, data analysis and research instruments to be applied in the study.

3.1 Research Design

This study adopted a cross-sectional research design based on both descriptive and explanatory methods. The descriptive aspect of the study deals with identifying control environment, monitoring, accountability and liquidity levels. The explanatory aspect deals with the explanation of the relationship between control environment, monitoring, accountability and liquidity levels in indigenous Ugandan commercial banks.

3.2 Population

The study population comprised of 700 bank staff at all levels in the four indigenous Ugandan commercial banks licensed by Bank of Uganda as at 30th June, 2008 operating in Kampala (Kampala District), at their headquarters.

3.3 Sample Size

Basing on the table of Morgan & Krejcie (1970) in Sekaran (2000), for a population of 700, a sample size of 248 would be representative enough. The researcher used stratified and purposive sampling to choose the respondents as per table 1 below. However, out of 248 targeted respondents only 118 responded by providing the information required for the analysis representing a response rate of 48%.

Table 1*:* Indigenous Commercial Banks and targeted staff to answer questionnaires

Local Commercial Banks (Population)	(N)	(S)	%	Top Mgt (10%)	Middle/ Senior Staff (30%)	Other Staff (60%)
1. Centenary Bank	225	81	0.33	8	24	49
2. Crane Bank	208	75	0.30	8	22	45
3. Housing Finance Bank	147	53	0.21	5	16	32
4. National Bank of Commerce	110	39	0.16	4	12	23
Total	**700**	**248**	**1.00**	**25**	**74**	**149**

N = Population of respondents,*   *S = Sample of respondents

Source: *Bank of Uganda and Institute of Bankers (modified).*

3.4 Data Collection Instruments

The study used both primary and secondary data. For primary data, open and closed ended questionnaires were administered to the target respondents, while secondary data was accessed from Annual Reports and financial statements which were used for calculating liquidity ratios.

3.5 Validity and Reliability of the Instrument

In order to ensure validity and reliability, the questionnaire was reviewed by the two supervisors and then pre-tested on 6 respondents before the actual study. These were experts with wide experience in the banking industry that advised on the appropriateness of the questionnaire. The preliminary data was subjected to Cronbach Alpha test. The Cronbach (1946) Alpha test for reliability was used to establish the reliability of the research instrument. All the variables had a Cronbach coeffient Alpha above 0.6 which is the recommended value (Sekaran, 2000). This means that scales used to measure the variables were consistent and reliable. The table below shows the reliability indices/coefficient for all the variables in the study.

Table 2: Reliability Coefficients for Study Variables.

Variable	Anchor	Cronbach Alpha
Control Environment	5 point	0.8965
Accountability	5 point	0.7901
Monitoring	5 point	0.8226
Liquidity Levels	5 point	0.7954

Source: Primary data

3.6 Data Analysis

Data collected was edited upon the receipt of the questionnaires to ensure accuracy and consistency of the information given by the respondents. Data was entered in the computer using a Statistical Package for Social Scientists (SPSS), where descriptive, principal component, correlation and regression analysis were used to establish the relationship between control environment and liquidity levels. This made it possible to interpret the results appropriately.

3.7 Measuring the Variables

The independent variable, control environment with constructs, corporate culture, competence levels, quality of audit committee and management integrity and ethics were measured on a 5-point Likert Scale, 1= strongly disagree, through to 5= strongly agree. The intervening variables accountability with constructs, transparency and disclosures; and monitoring with constructs, reconciliations, internal checks and audits were also measured on a 5-point Likert Scale (D'Aquila, 1998, Matama, 2006 and Robert & Abbie 2003). The dependent variable, liquidity levels with construct, liquidity ratios, was measured using bank disclosure ratios as done by Baral (2005); Saayman (2003)

1. Current ratio = Total current assets /Total current liabilities x 100%.
2. Cash ratios = Total cash and balances with central bank + marketable securities /Total current liabilities x 100%; and
   - Total cash and Balances with central bank /Total deposits x 100%.
3. Other liquidity ratios;
   - Total liquid assets /Total deposits x 100%;
   - Inter-bank lending / Total assets x 100%,
   - Total advances or loans /Total deposits x 100%; and
   - Total advances or loans /Total Current Liabilities x 100%.

3.8 Limitations

1. Most of the respondents were unwilling to give information easily because of the suspicion that their information would fall in the hands of their competitors. As such most of the questions on liquidity levels and accountability were left unanswered, caused fewer returned, though others were later convinced.
2. Not all the respondents selected for this research were competent enough to give their opinions relating to the variables on accountability, monitoring and liquidity levels, as a result they did not give information as required in the questionnaires.
3. Time and resources allocated to this study could not allow the study to be conducted as deeply as possible thus the researcher ran short of time and funds, hence had to extend and borrow.
4. As commercial banks people are always busy and they hardly had time to attend to the questionnaires as quickly as were required and some ended up not returning the questionnaires given to them, thus caused delay.
5. There was limited availability of local literature with respect to control environment and liquidity levels in indigenous Ugandan commercial banks. However, this was overcome by consultation of foreign literatures and reference to other relevant locally published materials.
6. Top management in Crane Bank and National Bank of Commerce were not as supportive as those of Housing Finance Bank and Centenary Bank to the research study questionnaire. This resulted into fewer questionnaires filled and returned. However this was overcome by approaching the respondents directly.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.0 Introduction

This chapter presents results of the study and interpretation of the findings. It gives the sample characteristics which include back ground information of the respondent in respect to gender, age, level of education, the bank's market share in the commercial banks market and the current financial standing of the bank. It also presents inferential statistical results of the study variables according to the variables studied. The variables analyzed include; Control Environment, Accountability, Monitoring and Liquidity levels. The presentation of findings was done in accordance with the research objectives as re-stated.

(i) To examine the relationship between control environment and liquidity levels in indigenous Ugandan commercial banks.

(ii) To examine the relationship between control environment, monitoring and accountability in indigenous Ugandan commercial banks.

(iii) To ascertain whether control environment, monitoring and accountability factors impact on liquidity levels in indigenous Ugandan commercial banks.

4.1 Demographic characteristics

In order to have a clear understanding of respondents, they were asked preliminary information about their gender, age, education levels, working experience with the bank, the level in relationship with the employing bank and a brief background of the bank.

4.1.1 Gender

Table 3: Gender of the Respondents

	Frequency	**Percent**
Male	73	61.9
Female	45	38.1
Total	**118**	**100.0**

Source: Primary Data

The Table 3 above presents the gender of respondents. Most of people interviewed from indigenous commercial banks were males 61.9% compared to 38.1% for females. This clearly shows that men dominate in the banking industry activities.

4.1.2 Age group of the Respondents

The age bracket of the respondents is presented in Table 4 below. Results indicated that those respondents from 26 to 35 years (50%) as the dominant age group in indigenous commercial banks, followed by those from 36 to 45 years (24.6%), then those from 18 to 25 years (14.4%), those from 46 to 55 years were 8.5% and lastly those above 55 years, were only 2.5%.

Table 4: Age group of respondents

Years	Frequency	Percent
18-25	17	14.4
26-35	59	50.0
36-45	29	24.6
46-55	10	8.5
Above 55	3	2.5
Total	**118**	**100.0**

Source: Primary Data

From the results in Table 4 above, the indigenous commercial banks are dominated by people between 26 and 35 years and those between 36 and 45 years, while those above 55 years are the least. This means that the banking industry employs energetic and active people or most people quit before 50 years of age.

4.1.3 Number of years the respondent has worked in the bank

According to findings as indicated in Table 5 below, the majority of respondents had worked with their respective banks from 4 to 7 years (39%), followed by those who had worked from 1 to 3 years (27.1%). Those who had worked from 8 to 11 years were 17.8%, new entrants constituted 6.8% while those who had worked from 12 to 15 years were 5.1% and lastly those who had worked for 15 years and above were only 4.2%.

4.1.4 Working experience

Table 5: Working experience of respondents with the bank

	Frequency	Percent
Less than a year	8	6.8
1-3 Yrs	32	27.1
4-7 Yrs	46	39.0
8-11 Yrs	21	17.8
12-15 Yrs	6	5.1
Above 15 Yrs	5	4.2
Total	**118**	**100.0**

Source: Primary Data

From results in Table 5 above, most people work in the bank for 4 to 7 years, after they quit and it is reflected in the declining figures as years go by. For this reason banks continue to recruit new staff to replace those who leave as shown by the figures of those who had worked for less than a year (6.8%) and those who had worked between 1 and 3 years (27.1 %).

4.1.5 Education levels

Table 6: Educational Level of the Respondents

	Frequency	Percent
Completed A-Level Or Less	2	1.7
Entered Some Tertiary Institution But Not Completed	8	6.8
Completed Tertiary Institution	59	50.0
Completed Post- Graduate Studies	32	27.1
Completed Other Qualifications	17	14.4
Total	**118**	**100.0**

Source: Primary Data

Table 6 above shows, 50% of respondents had completed tertiary institutions, 27.1% had completed Post-Graduate studies, 14.4% had completed other qualifications like CPA, ACCA, while 6.8% of respondents entered institutions but did not complete and 1.7% had completed A' Level or less. Generally the results above indicate banks employ competent people.

4.1.6 The respondents' level in relationship with the bank.

Table 7: The respondents' relationship with his/her bank

	Frequency	Percent
Below Junior Employee	5	4.2
Junior Employee	39	33.1
Senior Employee	47	39.8
Management Employment	24	20.3
Director Employee	3	2.5
Total	**118**	**100.0**

Source: Primary Data

Results in Table 7 above indicated that 4.2% of respondents were below junior employees, 33.1% of respondents were at junior level, 39.8% of respondents were at senior employment level, 20.3% of respondents were at managerial employment level and 2.5% of respondents were directors. The results above indicate banks employ more people at senior (39.8%) and junior (33.1%) levels.

4.2 Market share of indigenous commercial bank.

Table 8: The Bank's Market Share In the Commercial Banks Market

	Frequency	**Percent**
Up to 10%	37	31.4
11%-30%	35	29.7
31%-50%	16	13.6
51%-70%	26	22.0
71%-100%	4	3.4
Total	**118**	**100.0**

Source: Primary Data

According to results in Table 8 above, 31.4% of respondents said that the market share of indigenous banks was up to 10%, 29.7% of respondents said the market share was 11%-30%, 13.6% of respondents said that the market share was 31%-50%, 22% of respondents said that the market share was 51%-70% and 3.4% of respondents said the market share was 71%-100% in the commercial banks market in Uganda.

4.2.1 Financial standing of local banks.

Table 9: The Current Financial Standing of the Bank

	Frequency	Percent
Very Good	34	28.8
Good	51	43.2
Fairly Good	28	23.7
Fair	5	4.2
Total	**118**	**100.0**

Source: Primary Data

Table 9 above shows 28.8% of respondents said that the financial standing of the bank was very good, 43.2% said it was good, 23.7% said it was fairly good, 4.2% said it was fair. Majority of respondents were in support of their banks that they are financially good.

4.3 Factor Analysis

Factor analysis was used to extract the most important components that measured the study variables. The principal component analysis and varimax rotation methods were used to extract components with the Eigen values > 1 and items with correlation coefficients greater than or equal 0.60 as shown in the following rotated matrix tables.

Table 10: Rotated Component Matrix for Control environment

Rotated component factor analysis for control environment	**Components**			
	Management integrity & ethics	**Quality of audit committee**	**Corporate Culture**	**Competence levels**
The bank management is open to all people	.772			
The bank makes pronouncements on any changes in the bank to all	.740			
Information in the bank to and fro is communicated freely to all	.739			
The audit committee is open to management, staffs and public	.644			
The assets of the bank are kept safely	.634			
The management meets employees once a week	.610			
Audit committee meets internal and external auditors quarterly		.772		
At least two of the audit committee members are independent directors		.688		
Two of the audit committee members are professionally qualified people		.687		
Audit committee allows supervisory authority to inspect bank any time.		.662		
Management and staff wear banks' uniform			.760	
The bank issues manual guide to their employees			.739	
Management and staff work as a team			.674	

More than 50% of the bank's staffs have qualifications in banking				.804
More than 70% of the bank's staffs have worked previously with some bank				.738
The staffs produce work with minimum errors				.723
Eigen Values	**4.388**	**2.679**	**2.606**	**2.572**
Variance %	**21.938**	**13.396**	**13.028**	**12.859**
Cumulative %	**21.938**	**35.334**	**48.362**	**61.220**

Source: Primary Data

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. A rotation converged in 8 iterations.

Factor analysis results yielded four components. These were interpreted as Management integrity and ethics (21.938%), Quality of audit committees (13.396), Corporate culture (13.028), Competence levels (12.859) explaining 61.2% of the variance in control Environment (Table 10 above).

Eigen values explain the summed contribution of responses to the questionnaire items to each generated component. Since the largest Eigen value of 4.388 corresponds to management integrity and ethics, this is a component that claims most of the responses.

Table 11: Rotated Component Matrix for Accountability

Rotated component factor analysis for accountability	**Component**	
	Disclosure	**Transparency**
The chairman of the board issues statement of responsibility yearly	.773	
The management gives employees feedback on their performances	.747	
Management, staff and customers air their views in the banks bulletin	.744	
The management takes actions on anomalies reported	.622	
Bank records are open for inspection by supervisory authorities(BOU)		.818
Bank follows the regulations put in place by BOU (FIS, 2004)		.781
Eigen Values	**3.125**	**2.421**
Variance %	**31.248**	**24.211**
Cumulative %	**31.248**	**55.459**

Source: Primary Data

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

Table 11 above presents two components of accountability which were extracted contributing up to 55% of the total variance of accountability. Disclosure component contributing more (31%) while transparency contributing (24%).

Eigen values explain the summed contribution of responses to the questionnaire items to each generated component. Since the largest Eigen value of 3.125 corresponds to disclosure, this is a component that claims most of the responses.

Table 12: Rotated Component Matrix for Monitoring

Rotated Component Factor Analysis For Monitoring	**Component**	
	Reconciliation	**Internal check & Audit**
The queries on reconciliations by bank customers are less than five a week	.838	
The bank staff check on each others work	.731	
Actual expenditures are compared with the budgets monthly	.704	
Management takes decisions on reliable and accurate information	.677	
BOU monitors closely the activities of the banks and issue reports		.723
The bank staff make daily reconciliations on accounts in the bank		.715
The findings by internal auditor are reported on to the audit committee		.702
Internal auditor verifies reconciliations made by the bank staff		.616
Eigen Values	**2.693**	**2.474**
Variance %	**26.930**	**24.740**
Cumulative %	**26.930**	**51.670**

Source: Primary Data

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

Table 12 above presents two components contributing up to 51.67% of the variance to monitoring were extracted with reconciliation contributing more (26.9%) than internal check and audit which had (24.7%)

Eigen values explain the summed contribution of responses to the questionnaire items to each generated component. Since the largest Eigen value of 2.693 corresponds to reconciliation, this is a component that claims most of the responses.

4.4 Descriptive Statistics

Mean and standard deviation were calculated from quantitative data obtained from the questionnaires to explain the contribution of the independent variables in relationship to the dependent variable.

Table 13: Descriptive Statistics

Variables	Mean	Standard Deviations
Control environment	3.8976	.4810
Monitoring	4.0011	.4840
Accountability	4.2072	.4715
Liquidity levels	3.4386	.6556

Source: Primary Data

Results in table 13 above indicate that accountability (mean = 4.2072) with the standard deviation of .4715 show the higher contribution in the relationship to liquidity levels in indigenous commercial banks, followed by monitoring (mean = 4.0011) with standard deviation of .4840 and control environment (mean = 3.8976) with standard deviation of .4810. This implies that accountability factors contribute more than that of control environment and monitoring in impacting on liquidity levels.

4.5 Correlation analysis.

After generating the principal components of each variable of the study, the researcher came up with the main variables of the study which are control environment, accountability, monitoring and liquidity levels. After generating these main variables, correlation analysis was conducted to establish the relationships between them. Pearson's Correlation Coefficient was carried out and the results obtained are presented in table 14 below.

Table 14: Pearson's Correlation Coefficient Matrix

	1	2	3	4
Control Environment (1)	**1.000**			
Accountability (2)	.386**	**1.000**		
Monitoring (3)	.130	.361**	**1.000**	
Liquidity Levels (4)	.293**	.363**	.340**	**1.000**
*** Correlation is significant at the 0.01 level (2-tailed).*				

Source: Primary Data

4.5.1 Relationship between control environment and liquidity levels

To examine the relationship between control environment and liquidity levels in indigenous Ugandan commercial banks.

Results from table 14 above reveal that there is a significant positive relationship between control environment and liquidity levels ($r = .293^{**}$, P-value < 0.01). This implies that control environment influences liquidity levels in indigenous Ugandan commercial banks.

4.5.2 Relationship between control environment, monitoring and accountability

To examine the relationship between control environment, monitoring and accountability in indigenous Ugandan commercial banks.

The results in table 14 above indicate that there was a significant positive relationship between control environment and accountability (r = .386**, P-value < 0.01). This means accountability enhances control environment in indigenous Ugandan commercial banks. A significant positive relationship was observed between accountability and monitoring (r = .361**, P-value < 0.01). This implies that accountability influences monitoring in indigenous Ugandan commercial banks.

4.6 Regression Analysis

In order to ascertain whether control environment, monitoring and accountability factors impact on liquidity levels in indigenous Ugandan commercial banks.

A regression analysis was used to explain the above objective.

Table 15: Regression Analysis of the variables

		Unstandardized Coefficients		**Standardized Coefficients**	**T**	**Sig.**
Model 1		B	Std. Error	Beta		
	(Constant)	.457	.560		.816	.416
	Control Environment	.179	.089	.182	2.013	.046
	Accountability	.298	.139	.206	2.145	.034
	Monitoring	.281	.104	.243	2.718	.008
A **d**	**R = .459** **R Square = .210** **Adjusted R Square = .190** **F change 10.124** **Sig. 0.01**					

A Dependent Variable: Liquidity Levels

Source: Primary Data

Regression analysis reveals the extent to which control environment, monitoring and accountability significantly predicted the liquidity levels. Results in Table 15 above indicated that the combination of Control environment, accountability and monitoring significantly predicted or explained up to 19% of the variance in liquidity levels. Thus about 81% of Liquidity levels is predicted by other variables not covered in this research. However monitoring was a better predictor of liquidity levels (beta = 0.243) followed by accountability (beta = 0.206) and control environment (beta = 0.182). The above results suggest that if indigenous Ugandan commercial banks are to achieve desired liquidity levels, they need to put more emphasis on monitoring and control environment that sets in self monitoring by staff.

CHAPTER FIVE

DISCUSSION/CONCLUSION OF RESULTS/FINDINGS

5.0 Introduction

In this chapter, discussion, conclusion and recommendation of the main findings of the study are presented. The section is arranged as per the objectives of the study.

In order to achieve the study objectives, a survey was carried out on a sample of 118 respondents from indigenous Ugandan commercial banks in Kampala at their headquarters. Secondary data was also obtained from banks' publications. The data was processed and analysed using Statistical Package for Social Scientists (SPSS) computer soft ware.

5.1 Demographic characteristics of respondents.

Women seemed to have been ignored for so long in Uganda's labour sector and it is good that their contribution and participation (38.1%) of the work force particularly to the indigenous Ugandan commercial banks is being appreciated. Males still dominate the work force (61.9%) Table 3. This may be as a result of having a big number of males being the most educated in the country. Female education should be considered if females are to compete with males equitably.

According to the results, majority of the respondents (50.0%) completed tertiary institutions, 27.1% completed post-graduate studies and 14.4% completed other qualifications like CPA, ACCA compared to 1.7% who completed A-level or less or 6.8% that entered some tertiary institution but never completed (Table 6). These findings showed that majority of indigenous commercial banks staff are educated. This is in line with the findings of Simpson (2007), that educated people are said to be receptive to ideas from other people and have a high ability to acquire new skills if oriented to any training, hence ensuring competence at work. This is further supported by Wierszyto and Bohowicz (2007) who revealed that competence is a body of knowledge, experience, capabilities, skills and attitudes, and also the readiness of employees to operate in a particular way and the ability to adapt to changing conditions and providing such behaviour that enables carrying out the tasks on the required levels specified by employer.

5.2 Control environment

According to results, which were interpreted as management integrity and ethics (21.938%), quality of audit committees (13.396%), corporate culture (13.028%), competence levels (12.859%) (Table 10). The results show that the indigenous Ugandan commercial banks are doing their best to keep their control environment variance level up to 61.2% in relation to these constructs. This is in line with research undertaken by Ramos (2004) who revealed that control environment is the foundation for all other components of internal control system. Banks should follow their control environment to develop their corporate culture, competence levels, quality of audit committees and promote integrity and ethical values of their staff in performing their work to win the confidence that the public needs. This can be achieved when customers truly appreciate the services offered by the bank, as a result of trained and competent staff that completes assignments in time. This may further be supported by easy and regular access to bank audits by the public.

5.3 Accountability

Accountability was measured using two components which contributed up to 55% of the total variance of accountability as follows; Disclosure contributing more (31%) than transparency (24%) Table 11. According to Japheth (2001), accountability and disclosure are at the top of the agenda in commercial banks to restore the public trust. Transparency is key to bank corporate governance. Tadesse (2006) reported that if there are high levels of transparency and disclosures, banks can be able to maintain adequate liquidity levels. Further more, Cordella and Yeyati (1997), found that public disclosure can indeed serve to reduce bank risk taking, but to the extent that the bank has control over its portfolios.

5.4 Monitoring

The tools used in monitoring as stated by Muhota (2005) are reconciliation and internal checks and internal audits. From the findings, two components contributing up to 51.6% to monitoring were extracted with reconciliation contributing more (26.9%) than internal check and audit (24.7%) Table 12. According to Wells (2002), bank reconciliation, reconciles the difference between what the bank reports and what the financial statements show. At many times the bank reconciliation proves that the financial statements amount is not correct, hence a method of timely monitoring and ensuring adequate liquidity levels are maintained. Millichamp (1990) reported that internal checks and internal audits help to prevent or help early detection of errors and fraud. The study carried out by Carey, Tanewski and Simnetti (2002) on the relevance of internal checks and internal audits, revealed that internal checks and internal audits make it possible to monitor liquidity levels in commercial banks. Monitoring is one of the most important aspects of internal control in any banking institution used internally, while externally central banks regulate and supervise the activities of commercial banks (Bank of Uganda).

5.5 Relationship between Control environment and liquidity levels.

In this research, control environment involved corporate culture, competence levels, quality of audit committees and management integrity and ethics. According to results, there was a significant positive relationship between control environment and liquidity levels ($r = .293^{**}$, P-value < 0.01) in indigenous Ugandan commercial banks, Table 14. This means that control environment in indigenous Ugandan commercial banks is likely to influence liquidity levels. Kashyap et al (1999), who argue that when control environment is strong, it would be okay to hold sufficient liquidity. Therefore in relation to the above, understanding the relationship between control environment and liquidity levels contributes to the sustainability of the banks' business. This is in agreement with Control environment aims at ensuring achievement of adequate liquidity levels. Liquidity levels of indigenous Ugandan commercial banks were found to be wanting. The survey conducted revealed that liquidity levels had a mean of 3.4386 with a standard deviation of 0.6556 (Table 13) and liquidity ratios calculated from published financial statements, were found to lie from 31% to 50%. Most of the bank assets were found to be in form of loans. A good number of indigenous Ugandan commercial banks were either holding a portfolio of assets that could easily be sold, significant volumes of stable liabilities, more of their liquid cash in form of loans for profit generation and or maintaining credit lines with other financial institutions. This is supported by Deep et al., (2004) who refers to liquidity as the money-ness of the assets and liabilities. Financial stability issues lie precisely at this liquidity/profitability nexus. This could be the reason why most indigenous Ugandan commercial banks are managing their liquidity by getting more involved in loans for profit making.

5. 6 Relationship between control environment, monitoring and accountability.

In this relationship, control environment is viewed as independent variable, while monitoring and accountability as intervening variables which enhance control environment in relating to liquidity levels in indigenous Ugandan commercial banks. Therefore the research in this particular objective looks more at the intervening variables as the main focus.

Monitoring as an on going activity should involve performing procedures periodically and reviewing banks documentation to confirm that all procedures have been performed as required. One of the most important aspects used in internal control in any banking institution is monitoring, while externally central banks use regulatory and supervisory measures to monitor banks activities. According to results, there was a significant positive relationship between control environment and accountability ($r = .386^{**}$, P-value < 0.01) Table 14. This is in agreement with Basel Committee of Bank Supervision (2003) and Kimotho (2005) who noted that strong control environment results into self monitoring and transparent accountability disclosure by the bank staff. Weak control environment requires stringent monitoring reconciliations, internal checks and audits, with out which the accountability disclosures would not be transparent, hence not reporting the true liquidity levels. Wells, (2002) reported that many times the bank reconciliation proves that the financial statement amount is not exactly correct and so reconciliations as a form of monitoring, come in to confirm that all deposits recorded were made, all bank fees charged were recorded and that, no funds were disbursed from the accounts without being recorded. A strong control environment sets a tone of an entity that influences the control consciousness of all employees within the entity, makes them feel empowered a condition that promotes transparent disclosures in their accountability, minimum reconciliations, internal checks and audits of transactions and activities.

5.7 Impact of independent variables to the dependent Variable

To ascertain whether control environment, monitoring and accountability factors impact on liquidity levels in indigenous Ugandan commercial banks.

To achieve this objective, a regression model was used to combine independent and intervening variables to predict liquidity levels. Results in Table 15 revealed that the combination of Control environment accountability and monitoring significantly predicted or explained up to 19% of the variance in liquidity levels

5.8 Conclusions of the findings.

Findings indicated that control environment has a significant positive relationship with liquidity levels ($r = .293^{**}$, P-value < 0.01) in indigenous Ugandan commercial banks. Banks follow their corporate culture, hold reasonably high competency levels, have quality audits and promote integrity through ethical values in their practices.

Results indicated that control environment and accountability are significantly positively related ($r = .386^{**}$, P-value < 0.01) hence, they influence the operations of indigenous Ugandan commercial banks. Strong control environment influences positively the consciousness of employees through having; competent employees, quality of audit committee and management integrity and ethical values of personnel. These enhance reconciliations and internal checks and audits, which promote transparency and disclosures. This result supports that strong control environment would not require stringent monitoring reconciliations, internal checks and audits for transparent accountability disclosures.

Findings according to ratios from published financial statements showed that holding of liquidity levels in indigenous Ugandan commercial banks was from 31% to 50% (mean = 3.4386). These findings from published accounts (2008), which indicated liquidity levels being on a lower side in Local banks, proved that the respondents were not answering sincerely about their banks.

Current assets of indigenous Ugandan commercial banks could not cover their current liabilities adequately. This was reflected in published accounts, which revealed that three banks out of four had their percentage of total current assets over total current liabilities from 11% to 30%, then one bank had its liquidity ratio from 31% to 50%.

Lack of sufficient funds which resulted into low levels in Inter-bank lending was one of the factors affecting liquidity levels in indigenous Ugandan commercial banks. The indigenous Ugandan banks are therefore more reliant on assets for liquidity, while other larger banks have better access to liquidity sources in the open market.

All indigenous Ugandan commercial banks take short-term liabilities, usually in the form of deposits and transform them into long-term assets, such as mortgages and corporate loans. This helps them to plan for the future and to manage risks arising from uncertainties over their cash flows for long term. But short terms sources of finance get over burdened and expose them to likely Bank runs in case the depositors demand for their money at no notice.

5.9 Recommendations

Indigenous Ugandan commercial banks should maintain and strengthen control environment in order to increase their liquidity levels that enhances better operations in the financial market.

Local commercial banks need to improve their liquidity levels through increasing their current assets that can easily be converted into cash. This level of assets should be above the liabilities in order to meet the creditors' demands when there is need.

Local banks should consider Inter-bank lending as a source of financing to boost their liquidity at short notice and control the rate of loaning forms.

Further more, the study recommends that indigenous Ugandan commercial banks should consider transacting at a wide range of maturities. This allows borrowers to obtain the lowest rate of interest appropriate to their risk characteristics.

5.9.1 Area of Further research

What is needed now is a comprehensive research on what principles of bank liquidity management should be employed for effective liquidity levels in the banking industry.

This research was carried out using cross sectional approach, however longitudinal design can be used on the same topic and variables.

Information and communication can be used as an independent variable to find out if it has any relationship with the liquidity levels.

In the subsequent research, the researcher should consider interviewing Bank directors, Management and the customers of the bank so that the customers' views are also captured instead of bank staff as in this case.

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APPENDICES

Code No……………..

APPENDIX 1: QUESTIONNAIRE

Dear Respondent,

This research being carried out is on Control Environment and Liquidity Levels in Indigenous Commercial Banks in Uganda. It is in partial fulfillment of the requirement for the award of Master of Science in Accounting and Finance degree of Makerere University. Your bank has been specifically selected and be assured that this information being sought is purely for academic purposes. Total confidentiality is guaranteed for all information you will give. Kindly answer all the questions here in below.

Your contribution is highly appreciated.

Yours Faithfully,

Wathowan Marcelo Noel.

GENERAL INFORMATION

1.1 Name of Institution (Optional) ……………………………

1.2 Name of Respondent (Optional) ……………………………

1.3 Position (Post) of Respondent ……………………………

1.4 Gender (tick as appropriate)
1) Male (………)
2) Female (………)

1.5 Age (tick as appropriate)
1) below 18 years (….……)
2) 18 to 25 years (……….)
3) 26 to 35 years (……….)
4) 36 to 45 years (……….)
5) 46 to 55 years (……….)
6) Above 55 years (….……)

1.6 Number of years you have worked/has been in this bank (tick as appropriate)
1) Less than a year (………..)
2) 1 to 3 years (………..)
3) 4 to 7 years (………..)
4) 8 to 11 years (………..)
5) 12 to 15 years (………..)
6) Above 15 years (………..)

1.7 Education Background (tick as appropriate)
1. Completed O-Level or less (……..…)
2. Completed A-Level or less (….….…)
3. Entered some College or University, but not completed (………..)
4. Completed College or University (…………..)
5. Completed Postgraduate studies (…………..)
6. Completed other qualifications (Professional, Special education) (…………..)
For other qualifications indicate which ones…………………………………
…………………………………………………………………………………

1.8 What is your level in the relationship with this bank? (tick as appropriate)
1. Below Junior employee (………..)
2. Junior employee (………..)
3. Senior employee (………..)
4. Management employee (………..)
5. Director employee (………..)
6. Director Non-employee (………..)

2.0 BANKS' BACKGROUND.

2.1 What is this banks' market share in the commercial banks' market in Uganda? (tick as appropriate)
1) Up to 10% (………..)
2) 11% to 30% (………..)
3) 31% to 50% (………..)
4) 51% to 70% (………..)

5) 71% to 100% (………..)

2.2 What is the financial standing of this bank currently? (tick as appropriate)

1) Very Good (……….)
2) Good (……......)
3) Fairly Good (……......)
4) Fair (………..)
5) Bad (………..)

3.0 CONTROL ENVIRONMENT.

On scale of 1-5 (1=Strongly Disagree through to 5=Strongly agree), how do you respond to the following statement levels of agreement, according to your banks' activities? (tick only one appropriate level scale).

Control Environment	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	1	2	3	4	5
The bank issues manuals to guide the employees in their work					
The management meets employees once a week for charting the way forward					
Management and staff work as a team.					
Management and staff wear banks' uniforms with logo on once every week					
Information in the bank to and fro is communicated freely to all					
Customers appreciate the services provided by the bank					
The Staff finish their work assignments within the time frame given them					
The staff produce work with minimum errors					
More than 50% of the banks' staff have qualifications in banking					
More than 70% of the banks' staff have worked previously with some banks					
Two of the audit committee members are professionally qualified people					
Audit Committee meets internal & external auditors quarterly					
At least two of the audit committee members are independent directors					
Audit Committee allows Supervisory Authority to inspect bank any time					
The audit committee is open to management, staffs and public					
The bank management is honest					
The bank management is open to all people					
The management makes pronouncements on any changes in the bank to all					
Employees and management trust each other					
The assets of the bank are kept safely					

ACCOUNTABILITY.

Accountability	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	1	2	3	4	5
Bank records are open for inspection by supervisory authorities (BOU)					
Bank follows the regulations put in place by BOU (FIS, 2004)					
The audit committee scrutinizes all the accounts produced by the bank					
The management takes actions on anomalies reported					
The management gives employee feedback on their performance.					
The Chairman of the board issues statement of responsibility yearly					
Stakeholders of the bank are allowed to check freely for information they need					
Management, staff and customers air their views in the banks bulletin					
Management is aware of international financial reporting standards (IFRS)					
The bank is responsive to economic changes in the banking sector					

5.0 MONITORING.

Monitoring	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	1	2	3	4	5
The bank staff make daily reconciliations on accounts in the bank					
Internal auditor verifies reconciliations made by the bank staff					
The queries on reconciliations by bank customers are less than five a week					
Actual expenditures are compared with the budgets monthly					
Management takes decisions on reliable and accurate information					
The bank staff check on each others work					
Entered financial transactions are verified by internal auditor before posting					
The findings by internal auditor are reported on to the audit committee					
Management control method is adequate to investigate unusual situations					
Bank of Uganda monitors closely the activities of the banks and issue reports					

6.0 LIQUIDITY LEVELS

6.1 Liquidity Ratios

6.1.1 The current cash holding within the bank is:- (Please tick one appropriate answer);

1) Less than adequate (……….)
2) Less adequate (……….)
3) Adequate (……….)
4) More adequate (……….)
5) More than adequate (……….)

6.1.2 The current level of cash holding within the bank plus the cash deposits with the central bank is:-

1) Less than adequate (……….)
2) Less adequate (………..)
3) Adequate (………..)
4) More adequate (……….)
5) More than adequate (……….)

Banks' disclosure ratios %	**00%-10%**	**11%-30%**	**31%-50%**	**51%-70%**	**71%-100%**
	1	2	3	4	5
Total current assets/Total current liabilities x 100%					
Total cash & balance in BOU+T/Bills/Total current liabilities x 100%					
Total cash & balance in BOU/Total deposits x 100%					
Total liquid assets/Total deposits x 100%					
Inter-bank lending/Total assets x 100%					
Total advances or loans/Total assets x 100%					
Total advances or loans/total current liabilities x 100%					

End of Questionnaire

Centenary Bank

Extract of the Financial Statements for the year ended 31 December 2008

Profit and Loss Account

	2008 Shs'000	2007 Shs'000
Interest income	73,202,765	56,527,058
Interest expense	(6,645,926)	(4,201,053)
Net interest income	66,556,839	52,326,005
Fee and commission income	21,458,630	19,347,870
Net interest, fee and commission income	88,015,469	71,673,875
Other operating income	3,912,830	3,283,995
Operating income	91,928,299	74,957,870
Operating expenses	(64,324,777)	(51,677,183)
Net impairment credit losses	(2,752,697)	(2,800,218)
Profit before income tax	24,850,825	20,480,469
Income tax expense	(4,427,142)	(4,050,580)
Profit for the year	20,423,683	16,429,889

Balance Sheet

	2008 Shs '000	2007 Shs '000
Assets		
Cash and balances with Bank of Uganda	47,521,884	35,931,797
Placements with other banks	15,019,513	16,609,609
Government securities - held to maturity	43,929,533	63,284,746
Government securities – held for trading	6,675,010	-
Loans and advances to customers	287,356,595	193,889,736
Other assets	8,738,006	6,371,267
Deferred income tax	685,937	693,863
Deferred expenses	3,481,998	4,925,919
Property and equipment	30,272,621	17,724,031
Total assets	443,681,097	339,430,968
Liabilities		
Customer deposits	344,544,229	264,557,491
Deposits from other banks	4,384,232	3,433,882
Managed / borrowed funds	9,602,355	681,339
Current income tax	212,005	115,334
Deferred grants	294,160	125,680
Other liabilities	14,620,757	18,177,989
Total liabilities	373,657,738	287,091,715
Shareholders Equity		
Ordinary share capital	4,020,561	4,020,561
Preference share capital	111,817	107,854
Share premium	1,138,927	1,138,927
Regulatory reserve	729,997	78,251
Proposed dividends	3,412,694	2,743,540
Retained earnings	60,609,363	44,250,120
Total shareholders' equity	70,023,359	52,339,253
Total equity and liabilities	443,681,097	339,430,968

The financial statements were approved for issue by the Board of Directors on 20th March 2009 and were audited by PricewaterhouseCoopers who issued an unqualified opinion.

Prof. John Ddumba-Ssentamu
Board Chairman

Dr. Peter Ngategize
Director

John Giles
Managing Director

Peninnah T. Kasule
Company Secretary

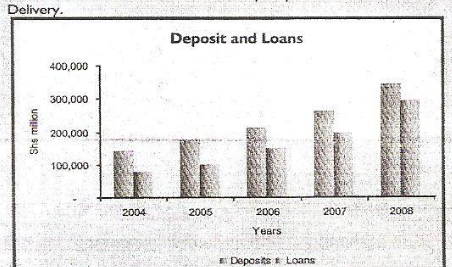
Highlights for the year 2008

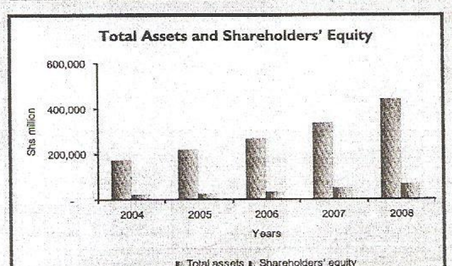
2008 has been a challenging year for the Ugandan economy, with rising inflation and continuing turbulence in the world financial markets. In spite of this, Centenary Bank continues to perform well in accomplishment of its mission to offer affordable and appropriate banking services to all Ugandans, especially those in the rural areas:

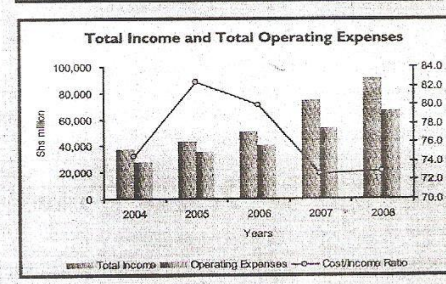
- After-tax-profit increased by 24.3% from Shs.16.4billion in 2007 to Shs.20.4billion in 2008.
- Total assets increased by 30.7% from Shs.339.4billion to Shs.443.7billion.
- The loan portfolio also showed a very strong growth of 48.2% from Shs.193.9billion to Shs.287.4billion.
- Deposits increased by 30.2% from Shs.264.6billion to Shs.344.5billion.

The Way Forward

The turbulence was observed throughout 2008. This is envisaged to continue in the year 2009, thereby extending pressure on consumers. Centenary Bank will continue to prudently pursue expansion and outreach programmes through its branch network, ATM installation and other delivery channels to take banking products and services nearer its customers and to ultimately improve Customer Service Delivery.







Centenary Rural Development Bank Limited - Talenta House Plot 7, Entebbe Road PO Box 1892 Kampala
Tel: 0414-251276/7 E-mail: info@centenarybank.co.ug Website: http://www.centenarybank.co.ug

Balance Sheet

As at 31 December 2008

	Note	2008 Ush '000	Restated 2007 Ush '000
ASSETS			
Cash and balances with Bank of Uganda	9	38,656,741	36,579,712
Deposits and balances due from banking institutions	10	33,522,062	68,386,502
Government securities - Held to maturity	11	113,228,681	84,320,088
Loans and Advances to customers (Net)	12	207,638,893	144,152,220
Investment in equity shares - available for sale	21	8,997,135	558,063
Property and equipment	14	17,864,536	14,595,230
Operating lease prepayments	15	1,151,211	1,148,865
Intangible asset	16	3,918,318	2,416,426
Other assets	17	5,242,523	5,141,615
Goodwill	18	690,392	690,392
Investment in a subsidiary company	19	50,000	50,000
Investment in medium term notes - Held to maturity	20	-	5,000
TOTAL ASSETS		430,960,492	358,044,113
EQUITY AND LIABILITIES			
Customer deposits	23	341,558,887	290,020,055
Other liabilities	24	7,217,184	4,227,922
Current income tax payable		2,757,135	341,592
Deposits and balances due to banking institutions		1,275,000	8,250,000
Deferred income tax liability	22	3,146,132	2,930,101
TOTAL LIABILITIES		355,954,337	305,769,670
EQUITY			
Share capital	25	50,000,000	34,000,000
Retained earnings		21,361,670	16,359,567
Investments fair value reserve	33	1,314,364	457,724
Regulatory reserve	34	2,330,121	1,457,152
TOTAL EQUITY		75,006,155	52,274,443
TOTAL EQUITY AND LIABILITIES		430,960,492	358,044,113

The financial statements on pages 21 to 52 were approved by the board of directors on 18th March 2009 and were signed on its behalf by:

Mr Samson Muwanguzi
Chairman

Dr Sudhir Ruparelia
Vice Chairman

Mr A. R. Kalan
Managing Director

Housing Finance Bank

Housing Finance Bank Limited Financial Statements for the year ended 31 Dececmber 2008

HOUSING FINANCE BANK LIMITED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	2008 UShs'000	Restated 2007 UShs'000
Interest income	26,383,358	21,046,562
Interest expense	(6,559,280)	(6,228,139)
Net interest income	**19,824,078**	**14,818,423**
Fee and commission income	1,823,862	1,612,995
Fees and commission expense	(239,084)	(104,768)
Other income	413,809	75,876
Operating income	**21,822,665**	**16,402,526**
Personnel costs	(6,557,105)	(4,424,809)
Other operating expenses	(3,532,831)	(2,844,645)
Depreciation and amortisation	(886,660)	(631,286)
Impairment losses on loans and advances	(1,321,733)	203,503
Total operating expenses	**(12,298,329)**	**(7,697,237)**
Profit before tax	9,524,336	8,705,289
Income tax expense	(2,568,652)	(2,610,188)
Profit after tax	**6,955,684**	**6,095,101**
Basic earnings per share (UShs)	**1,140**	**999**
Diluted earnings per share (UShs)	**1,140**	**999**
Dividend per share (UShs)	-	491

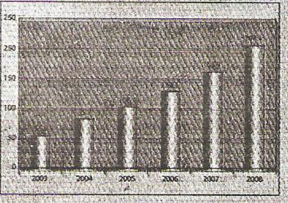
HOUSING FINANCE BANK LIMITED BALANCE SHEET AS AT 31 DECEMBER 2008

	2008 UShs'000	Restated 2007 UShs'000
Assets		
Cash and balances with the Central Bank	10,222,659	5,711,167
Treasury bills and other bills - Held to maturity	15,796,555	3,918,293
Deposits due from Other Banking institutions A	10,080,541	18,623,855
Investment in Government bonds - Held to maturity	4,789,078	3,650,596
Loans and advances to customers A	149,852,818	124,194,344
Tax recoverable	398,736	99,620
Long term prepaid operating lease rentals	44,254	45,260
Other assets	4,473,413	2,132,826
Intangible Assets	2,062,845	595,045
Property and equipment	9,398,015	4,932,670
Total assets	**207,118,914**	**163,903,676**
Liabilities		
Customer deposits	78,325,092	54,305,401
Other liabilities	3,706,174	3,453,626
PSHS collection account	11,170,275	7,683,112
NHCC collection account	108,613	333,770
Namuwongo collection account	362,768	417,022
Other borrowed funds	24,552,014	13,350,870
Deferred tax liability	1,190,103	622,930
Total liabilities	**119,415,039**	**80,168,731**
Shareholders' equity		
Share capital	61,000,000	61,000,000
Revaluation reserves	1,418,754	1,435,663
Retained profits	23,426,438	19,173,936
Regulatory general credit risk reserve	1,858,683	2,125,346
Total shareholders' equity	**87,703,875**	**83,734,945**
Total shareholders' equity and liabilities	**207,118,914**	**163,903,676**

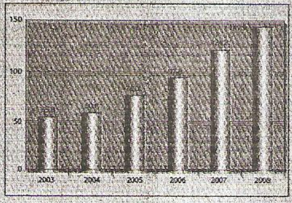
HFB Year 2008 Result Review:

- The Bank's total assets grew by 21% to UShs 207.1 billion (2007: UShs 163.9 billion).
- Loans and advances to customers increased from UShs 124.2billion to UShs149.9bn, a 27% growth over the year.
- Customer deposits increased from UShs 54.3 billion to UShs 78.3 billion, a 44% growth.
- Profit after tax increased by 14% from UShs 6.10 billion to UShs 6.96 billion.
- HFB became a commercial bank in year 2007 after over 40 years as a leading credit institution. Over the year 2008, we laid the infrastructure necessary to support extensive commercial banking by setting-up new delivery channels, upgrading IT systems and introducing new product and service lines. This shall see us as a strong, efficient and responsive bank in the future.
- We take this opportunity to thank all our stakeholders for choosing to partner with us, as we continue to *Make it easy!*

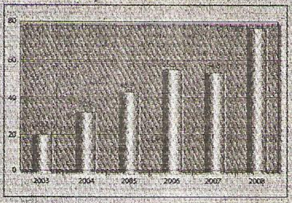
Total Assets (UShs billion)



Loans and Advances (UShs billion)



Customer Deposits (UShs billion)



These financial statements were audited by KPMG who expressed an unqualified audit opinion thereon.

The financial statements were approved by the board of directors on 6th April 2009 and signed on its behalf by:

Chairman Managing Director Director Director

NATIONAL BANK
OF COMMERCE (U) LTD

HEAD OFFICE:
Cargen House, Parliament Avenue
P. O. Box 23232, Kampala, Tel: 0414 347700/2/3/4
Fax: 0414 347701 Email: nbc@africaonline.co.ug
Kampala Branch
Plot 131, Kabale Road P. O. Box 842, Kabale Uganda
Tel: 0486-424320/111 Fax: 0486 424310
Email: nbc-kble@utlonline.co.ug

NATIONAL BANK OF COMMERCE (U) LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	2008 Ushs'000	2007 Ushs'000
INTEREST INCOME	2,018,581	1,811,337
INTEREST EXPENSE	(458,820)	(272,577)
NET INTEREST INCOME	**1,559,761**	**1,538,760**
Fees and commissions income	320,595	296,942
Net gains on foreign exchange dealings	159,175	99,958
Other operating income	69,670	37,499
NET OPERATING INCOME	2,109,201	1,973,159
Operating expenses	(1,508,730)	(1,139,999)
Provision for impairment on loans and advances	(46,668)	(81,052)
PROFIT BEFORE TAXATION	**553,803**	**752,108**
Taxation credit/(charge)	937	(160,477)
PROFIT FOR THE YEAR	**554,740**	**591,631**
Earnings per share	1,198	1,278

BALANCE SHEET AS AT 31 DECEMBER 2008

	2008 Ushs'000	2007 Ushs'000
ASSETS		
Cash and balances with Bank of Uganda	1,354,309	1,432,018
Deposits and balances due from banking institutions	372,508	2,986,607
Government securities - held to maturity	9,128,674	7,492,467
Loans and Advances to customers (net)	4,375,314	2,902,850
Investments	-	1
Property and equipment	312,184	357,655
Intangible asset	48,875	28,293
Operating lease prepayments	3,328	3,884
Other assets	320,327	454,030
Deferred income tax asset		
TOTAL ASSETS	**15,915,519**	**15,657,805**
EQUITY AND LIABILITIES		
Customer deposits	8,860,107	8,974,062
Other liabilities	430,893	312,958
Deferred income tax liability	49,961	50,898
Loan from Bank of Uganda	-	8,044
TOTAL LIABILITIES	9,340,961	9,345,962
EQUITY		
Share capital	4,631,030	4,631,030
Share premium	4,851	4,851
Retained earnings	1,626,795	1,059,418
Proposed Dividend gross	-	295,816
Regulatory Credit Reserve	237,437	237,437
Revaluation reserve	74,445	83,291
TOTAL EQUITY	6,574,558	6,311,843
TOTAL EQUITY AND LIABILITIES	**15,915,519**	**15,657,805**

The financial statements were audited by Deloitte and Touche and approved by the board of directors on 24/07/2009 and were signed on its behalf by:

Director
Amos Nzei

Director
Mathew Rukikaire

Director
Ganesh Bangera

MAKERERE UNIVERSITY BUSINESS SCHOOL
Plot M118, Portbell Road, P. O. Box 1337, Kampala-Uganda
Phone: Direct Line: +256-414-338142; General Line: +256-414-338120; Fax: +256-41-4505921

Graduate and Research Centre

July 14, 2009

Managing Director
Centenary Bank

Dear Sir/Madam,

RE: WATHOWAN Marcelo Noel MSc Acc& Fin *REG No.2006/HD10/6030U*

The above named is a student of Makerere University Business School, pursuing studies leading to the award of Masters of Science in Accounting and Finance degree of Makerere University. He is undertaking research in partial fulfillment for the requirement of the award of Masters Degree on the topic; "Control Environment and Liquidity Levels; A case of indigenous Commercial Banks in Uganda."

Any assistance rendered to Noel to complete his research will be highly appreciated.

Yours Sincerely,

Flavia Naggayi
Graduate and Research Centre

Centenary Bank
20 JUL 2009
RECEIVED
EXECUTIVE DIRECTOR
CENTENARY RURAL DEVELOPMENT BANK LTD

MUBS

MAKERERE UNIVERSITY BUSINESS SCHOOL

Plot M118, Portbell Road, P. O. Box 1337, Kampala-Uganda
Phone: Direct Line: +256-414-338142; General Line: +256-414-338120; Fax: +256-41-4505921

Graduate and Research Centre

July 14, 2009

Managing Director
Crane Bank

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Yours Sincerely,

Flavia Naggayi
Graduate and Research Centre

Email: grc@mubs.ac.ug Website: www.mubs.ac.ug

MAKERERE UNIVERSITY BUSINESS SCHOOL
Plot M118, Portbell Road, P. O. Box 1337, Kampala-Uganda
Phone: Direct Line: +256-414-338142; General Line: +256-414-338120; Fax: +256-41-4505921

Graduate and Research Centre

July 14, 2009

Managing Director
Housing Finance Bank

Dear Sir/Madam,

RE: WATHOWAN Marcelo Noel MSc Acc& Fin *REG No.2006/HD10/6030U*

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Yours Sincerely,

Flavia Naggayi
Graduate and Research Centre

Housing Finance Bank Ltd
Plot No. 25 Kampala Road
P. O. Box 1539
Kampala

MAKERERE UNIVERSITY BUSINESS SCHOOL
Plot M118, Portbell Road, P. O. Box 1337, Kampala-Uganda
Phone: Direct Line: +256-414-338142; General Line: +256-414-338120; Fax: +256-41-450592

Graduate and Research Centre

July 14, 2009

Managing Director
National Bank of Commerce

Dear Sir/Madam,

RE: WATHOWAN Marcelo Noel MSc Acc& Fin *REG No.2006/HD10/6030U*

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Yours Sincerely,

Flavia Naggayi
Graduate and Research Centre

NATIONAL BANK OF COMMERCE (U) LTD
20 JUL 2009
HEAD OFFICE
RECEIVED
P.O.BOX 23232 K'LA

MUBS

Email: grc@mubs.ac.ug
Website: www.mubs.ac.ug

MAKERERE UNIVERSITY BUSINESS SCHOOL

Plot M118, Portbell Road, P. O. Box 1337, Kampala-Uganda
Phone: Direct Line: +256-414-338142; General Line: +256-414-338120; Fax: +256-41-4505921

Graduate and Research Centre

July 20, 2009

Director Bank Supervision
Bank of Uganda

Dear Sir/Madam,

RE: WATHOWAN Marcelo Noel MSc Acc& Fin ***REG No.2006/HD10/6030U***

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Yours Sincerely,

Flavia Naggayi
Graduate and Research Centre

BANK OF UGANDA
21 JUL 2009
RECEIVED
DIRECTOR COMMERCIAL BANKING

Email: grc@mubs.ac.ug Website: www.mubs.ac.ug

MAKERERE UNIVERSITY BUSINESS SCHOOL
Plot M118, Portbell Road, P. O. Box 1337, Kampala-Uganda
Phone: Direct Line: +256-414-338142; General Line: +256-414-338120; Fax: +256-41-4505921

Graduate and Research Centre

July 20, 2009

THE UGANDA
INSTITUTE OF BANKERS
21 JUL 2009
RECEIVED

Director
Institute of Bankers

Dear Sir/Madam,

RE: WATHOWAN Marcelo Noel MSc Acc& Fin *REG No.2006/HD10/6030U*

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Graduate and Research Centre