

OPERATIONAL RISK MANAGEMENT IN COMMERCIAL BANKS

CASE STUDY OF BANK OF AFRICA-UGANDA LIMITED (BOA-U)

BY

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2013/HD06/2499U

**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT FOR THE
AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION**

Makerere University

APRIL 2016

Abstract

Operational risk is inherent in all financial products, activities and processes and systems and the effective management of operational risk is of paramount importance for every financial institution board and senior management. With globalization and deregulation of financial markets, increased competition combined with the advent of high-end, innovative, sophisticated technology tremendous changes have taken place in the products distribution channels and serviced delivery mechanism of financial sector.

The study was motivated by the persistent fraud in BOA-U bank which could be a pointer of the bank being faced with operational risk challenges which have affected its performance. The purpose of the study was to examine the operational risk management practices and associated gaps in the operational risk management procedures that continue to make the financial institution vulnerable to be defrauded.

The study undertook a case study design. Data was collected using self-administered questionnaires and analyzed using the Statistical Package for Social Sciences (SPSS V.15) to generate descriptive statistics.

The findings indicated numerous deficiencies in the operational risk management practices adopted and implemented by BOA-U. For example management never prioritized the risk management function through training staff on better risk management practices. In addition, to study the true nature and quality of operational risk management, organizational environment and organizational performance, a longitudinal study could be designed.