

Factors Affecting Performance of Commercial Banks in Uganda -A Case for Domestic Commercial Banks

Nsambu Kijjambu Frederick*

The study seeks to establish the underlying factors responsible for performance of domestic and foreign commercial banks in Uganda. The factors are analyzed in light of structure–conduct performance (SCP) and Efficiency hypothesizes (ES). This is supplemented by Global advantage theory together with Home field theory. The study analyses performance of all licensed domestic commercial banks, represented by the average performance. Using Linear multiple regression analysis over the period 2000-2011, the study found out that, management efficiency; asset quality; interest income; capital adequacy and inflation are factors affecting performance of domestic commercial banks in Uganda over the period 2000-2011. Policy implications that emerged from the study are as follows; efficient management; credit risk management; capital adequacy levels; diversification and commercial bank investments. Monetary policy regulations and instruments should not enforce high liquidity and capital adequacy levels. Regulations on noninterest income activities should be put in place to harmonize the impact of diversification on all commercial banks' performance and to avoid exploitation of bank customers.

Field: Banking