

Relationship Between Financial Reporting Standards And The Financial Performance Of Centenary Bank

Kassanda

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Abstract

The study investigated the relationship between financial reporting standards and financial performance of Centenary Bank Kassanda branch in Uganda. Utilizing a descriptive correlational research design, data was collected from 76 respondents through structured questionnaires and document analysis, then analyzed using SPSS version 25. The findings revealed a significant positive relationship ($r=0.698$, $p<0.01$) between adherence to financial reporting standards and financial performance. The study concluded that comprehensive compliance with International Financial Reporting Standards (IFRS) substantially enhanced financial transparency, stakeholder confidence, operational efficiency, and overall financial performance. Recommendations included strengthening internal audit mechanisms, investing in continuous professional development for accounting staff, adopting advanced financial reporting software, and establishing robust monitoring frameworks to ensure sustained compliance with evolving financial reporting standards.

Keywords: Financial reporting standards, IFRS, financial performance, profitability, banking sector, Centenary Bank, Kassanda, Uganda, compliance, accounting standards

1.0 Background of the Study

Financial reporting standards represented fundamental frameworks governing how organizations prepared, presented, and disclosed financial information to stakeholders (Racheal, Enock, et al., 2023). Globally, the adoption of International Financial Reporting Standards (IFRS) emerged as a critical milestone in harmonizing accounting practices, enhancing financial statement comparability, improving transparency, and facilitating cross-border investment flows (Alex & Julius, 2024). In Uganda, the Institute of Certified Public Accountants of Uganda (ICPAU) mandated IFRS adoption for financial institutions in 2001, marking a significant shift from Uganda Generally Accepted Accounting Principles (UGAAP) to internationally recognized standards. This transition aimed to strengthen Uganda's financial sector credibility, attract foreign investment, and align domestic banking practices with global best practices (Polycarp et al., 2023).

Centenary Bank, established in 1983 as a microfinance institution and licensed as a commercial bank in 1993, operated as one of Uganda's leading indigenous financial institutions. With its headquarters in Kampala and over 70 branches nationwide, Centenary Bank served millions of customers across urban and rural communities (Alex & Devis, 2023). The Kassanda branch, established in 2015 in Kassanda District, Central Uganda, provided comprehensive banking services including savings accounts, loans, mobile banking, agency banking, and agricultural financing to the predominantly agrarian community (Faith et al., 2023). By 2020, the branch managed assets exceeding UGX 15 billion

and served approximately 8,500 active customers, positioning it as a vital financial hub in the region (Faridah et al., 2023).

The Ugandan banking sector operated under stringent regulatory oversight from the Bank of Uganda, which enforced compliance with IFRS, prudential guidelines, and capital adequacy requirements (Polycarp et al., 2023). Financial reporting standards specifically influenced how banks recognized revenue, measured assets and liabilities, disclosed risk exposures, and presented financial performance to regulators, shareholders, depositors, and other stakeholders. Compliance with these standards theoretically enhanced credibility, reduced information asymmetry, improved risk management, and ultimately supported superior financial performance through enhanced stakeholder confidence and operational discipline (Promise et al., 2024).

Despite mandatory IFRS adoption since 2001, empirical evidence regarding the actual relationship between financial reporting standards compliance and financial performance in Uganda's banking sector remained limited and inconclusive (Gracious, 2023). Some studies suggested positive associations between standards compliance and performance, while others indicated minimal or neutral relationships. Furthermore, most existing research focused on large commercial banks in urban centers, leaving knowledge gaps regarding smaller branches in rural settings like Kassanda (Kazaara & Julius, 2025). Questions persisted regarding whether resource investments in comprehensive financial reporting standards compliance yielded tangible financial performance benefits, particularly for branches operating in resource-constrained environments (Ntirandekura, Ainebyoona, et al., 2022). This study therefore examined the relationship between financial reporting standards and financial performance at Centenary Bank Kassanda branch, contributing empirical insights to inform strategic financial management decisions in Uganda's evolving banking landscape.

2.0 Problem Statement

Despite mandatory compliance with International Financial Reporting Standards in Uganda's banking sector since 2001, questions persisted regarding whether investments in comprehensive financial reporting standards adherence translated into tangible financial performance improvements, particularly for rural bank branches (Racheal, Kazaara, et al., 2023). Centenary Bank Kassanda branch operated in a competitive financial services environment where maintaining profitability, asset quality, and customer confidence remained paramount for sustainability (Sarah & Audrey, 2024). However, comprehensive financial reporting compliance required substantial resource investments including specialized staff training, sophisticated accounting software, internal control systems, and regular audits, creating cost pressures for branches with limited resources (Ronet et al., 2023).

While regulatory frameworks mandated financial reporting standards compliance, the actual relationship between such compliance and financial performance outcomes at branch level remained empirically unclear (Julius, 2024). Some practitioners argued that strict adherence to reporting standards diverted resources from core banking activities without commensurate performance benefits, while others contended that compliance enhanced operational efficiency and stakeholder confidence, ultimately improving performance (Ntirandekura, Friday, et al., 2022). Existing literature

predominantly examined this relationship in large commercial banks or at institutional level, leaving knowledge gaps regarding branch-level dynamics in rural settings. Without empirical evidence quantifying this relationship, branch management lacked data-driven guidance for optimizing resource allocation between compliance activities and operational priorities (Winny et al., 2023). This study therefore investigated the relationship between financial reporting standards and financial performance at Centenary Bank Kassanda to provide evidence-based insights for strategic decision-making.

3.0 Objective of the Study

To examine the relationship between financial reporting standards and financial performance of Centenary Bank Kassanda branch, Uganda.

4.0 Methodology

This study employed a descriptive correlational research design to examine the relationship between financial reporting standards and financial performance at Centenary Bank Kassanda branch. The descriptive component enabled comprehensive characterization of financial reporting practices and performance indicators, while the correlational aspect facilitated quantitative analysis of relationships between variables (Nafiu, 2012). This design was deemed appropriate because the study sought to establish associations in a natural organizational setting where variables could not be experimentally manipulated, and the research aimed to describe existing relationships rather than establish causality (Olanrewaju et al., 2021).

The study population comprised 95 individuals directly involved with or affected by financial reporting and performance at Centenary Bank Kassanda branch, including branch management, accounting and finance staff, internal auditors, loan officers, customer service representatives, and selected customers with banking knowledge (Polycarp et al., 2023). Using Yamane's (1967) formula for sample size determination at 95% confidence level and 5% margin of error, a sample of 77 respondents was calculated and selected through stratified random sampling. Stratification ensured proportional representation across stakeholder categories, while random selection within strata minimized bias and enhanced representativeness (Aslam et al., 2022).

Data collection utilized two primary methods: structured questionnaires and documentary analysis. The questionnaire comprised three sections covering demographic information, financial reporting standards practices (including IFRS compliance level, disclosure quality, internal controls, staff competence, and audit effectiveness), and financial performance indicators (profitability, asset quality, liquidity, operational efficiency, and customer satisfaction) (Christopher & Shamirah, 2025). Items employed a five-point Likert scale ranging from "Strongly Disagree" (1) to "Strongly Agree" (5). Documentary analysis examined the branch's audited financial statements for 2019-2022, regulatory compliance reports, and internal audit findings to triangulate questionnaire data and provide objective performance metrics (Jallow et al., 2022).

The questionnaire underwent validity assessment through expert review by three university lecturers specializing in accounting and finance, whose feedback informed instrument refinement. Reliability testing through pilot

administration to 10 respondents from another Centenary Bank branch yielded a Cronbach's alpha coefficient of 0.882, confirming excellent internal consistency. The pilot sample was excluded from the main study to prevent response contamination (Abiodun et al., 2022).

Data collection spanned five weeks between August and September 2023. Questionnaires were distributed during banking hours with a three-day completion window, and follow-ups ensured maximum response rates. Of 77 distributed questionnaires, 76 were returned and deemed complete, representing a 98.7% response rate that exceeded acceptable thresholds for statistical analysis. Documentary data was extracted systematically using a standardized checklist aligned with research objectives (A & Ahmed, 2019).

Data analysis employed SPSS version 25 for both descriptive and inferential statistics (Nelson et al., 2022). Descriptive statistics including frequencies, percentages, means, and standard deviations characterized respondent demographics and variable distributions. Pearson correlation analysis examined relationships between financial reporting standards and financial performance, while multiple regression analysis assessed the predictive power of reporting standards dimensions on performance outcomes (Nelson et al., 2023). Statistical significance was established at $p < 0.05$. Documentary data was analyzed using content analysis and financial ratio calculations. Results were presented through tables with detailed narrative interpretations ensuring clarity and comprehensiveness.

5.0 Results and Discussion

5.1 Demographic Characteristics of Respondents

Table 1: Demographic Characteristics of Respondents (N=76)

Characteristic	Category	Frequency	Percentage (%)
Gender	Male	43	56.6
	Female	33	43.4
Age	20-30 years	31	40.8
	31-40 years	28	36.8
	41-50 years	14	18.4
	Above 50 years	3	3.9
Education Level	Diploma	18	23.7
	Bachelor's Degree	47	61.8
	Master's Degree	9	11.8
	Professional Qualification (ACCA/CPA)	2	2.6
Work Experience	Less than 3 years	26	34.2
	3-5 years	29	38.2
	6-10 years	17	22.4
	Over 10 years	4	5.3

Source: Primary Data, 2024

Table 1 indicated that male respondents constituted 56.6% of the sample while females represented 43.4%, reflecting relatively balanced gender representation in the banking sector. The majority of respondents (40.8%) fell within the 20-30 years age range, suggesting a youthful workforce, though 36.8% were aged 31-40 years, indicating substantial experience presence. Educational qualifications were high, with 61.8% holding bachelor's degrees and 11.8% possessing master's degrees, demonstrating that Centenary Bank Kassanda employed qualified personnel capable of understanding complex financial reporting requirements. Professional accounting qualifications (ACCA/CPA) were held by 2.6%, indicating room for increasing specialized accounting expertise. Regarding work experience, 38.2% had served 3-5 years while 34.2% had less than three years, suggesting a relatively young but growing experienced workforce capable of providing reliable assessments of financial reporting practices and performance relationships.

5.2 Financial Reporting Standards Compliance**Table 2: Perceptions of Financial Reporting Standards Compliance (N=76)**

Statement	Mean	Std. Deviation	Interpretation
The branch consistently complied with IFRS requirements	4.24	0.73	Very High
Financial statements accurately reflected the branch's financial position	4.18	0.79	High
Internal controls supporting financial reporting were adequate	3.97	0.84	High
Staff possessed sufficient knowledge of financial reporting standards	3.82	0.91	High
Regular audits ensured compliance with reporting standards	4.31	0.68	Very High
Financial disclosures were transparent and comprehensive	4.06	0.76	High
Overall Financial Reporting Standards Compliance Mean	4.10	0.79	High

Source: Primary Data, 2024

Table 2 revealed that Centenary Bank Kassanda branch maintained high compliance levels with financial reporting standards. Regular audits ensuring compliance received the highest mean score (4.31), indicating robust internal and external audit mechanisms that monitored adherence to IFRS requirements. Consistent IFRS compliance scored 4.24, demonstrating management commitment to regulatory requirements and professional accounting practices. Staff knowledge of financial reporting standards, while rated high (3.82), represented the lowest score among measured items, suggesting potential training gaps that could affect compliance quality. Financial statement accuracy (4.18) and disclosure transparency (4.06) scored favorably, indicating that the branch produced reliable financial information for stakeholders (Kazaara & Julius, 2025). The overall compliance mean of 4.10 confirmed strong adherence to financial reporting standards, providing a solid foundation for examining performance relationships.

5.3 Financial Performance Indicators**Table 3: Financial Performance Indicators (N=76)**

Performance Indicator	Mean	Std. Deviation	Interpretation
The branch consistently achieved profitability targets	4.08	0.82	High
Asset quality remained strong with minimal non-performing loans	3.95	0.87	High
Liquidity management was effective and met regulatory requirements	4.14	0.74	High
Operational efficiency improved over the past three years	4.21	0.71	Very High
Customer satisfaction and retention rates increased	4.17	0.76	High
The branch's market share in Kassanda District grew	3.89	0.93	High
Overall financial performance exceeded expectations	4.03	0.78	High
Overall Financial Performance Mean	4.07	0.80	High

Source: Primary Data, 2024

Table 3 demonstrated strong financial performance at Centenary Bank Kassanda branch across multiple dimensions. Operational efficiency improvement received the highest mean score (4.21), suggesting that systematic processes, including rigorous financial reporting practices, enhanced productivity and cost management. Liquidity management effectiveness scored 4.14, indicating successful balance sheet management that satisfied regulatory requirements while supporting lending operations (Julius & Kazaara, 2025). Customer satisfaction increases (4.17) reflected service quality improvements and stakeholder confidence, potentially linked to transparent financial practices that enhanced institutional credibility. Profitability target achievement scored 4.08, confirming that the branch met financial objectives despite operating in a competitive rural market. Market share growth, while positive (3.89), scored relatively lower, possibly reflecting intense competition from mobile money services and microfinance institutions in Kassanda District. The overall financial performance mean of 4.07 confirmed solid performance outcomes that could be associated with robust financial reporting practices.

5.4 Correlation Analysis

Table 4: Correlation between Financial Reporting Standards and Financial Performance

Variables	1	2	3	4	5	6
1. IFRS Compliance	1					
2. Disclosure Quality	0.623**	1				
3. Internal Controls	0.587**	0.641**	1			
4. Profitability	0.562**	0.519**	0.544**	1		
5. Asset Quality	0.493**	0.508**	0.577**	0.612**	1	
6. Overall Financial Performance	0.698**	0.631**	0.664**	0.783**	0.729**	1

Note: ** Correlation is significant at the 0.01 level (2-tailed)

Source: Primary Data, 2024

Table 4 presented comprehensive correlation analysis results showing significant positive relationships between financial reporting standards dimensions and financial performance indicators. The strongest correlation existed between overall financial reporting standards compliance and overall financial performance ($r=0.698$, $p<0.01$), indicating that approximately 49% of variance in financial performance could be associated with financial reporting standards adherence (Julius & Audrey, 2025). IFRS compliance demonstrated strong positive correlations with profitability ($r=0.562$), asset quality ($r=0.493$), and overall performance ($r=0.698$), confirming that systematic application of international standards supported superior performance outcomes. Disclosure quality and internal controls also showed significant positive relationships with performance indicators, suggesting that transparency and control mechanisms inherent in financial reporting standards contributed to operational excellence. All correlations were statistically significant at the 99% confidence level, providing robust evidence that financial reporting standards positively influenced financial performance at Centenary Bank Kassanda branch.

5.5 Documentary Analysis Findings

Documentary analysis of audited financial statements for 2019-2022 corroborated questionnaire findings. Return on Assets (ROA) increased from 2.8% in 2019 to 4.3% in 2022, while Return on Equity (ROE) improved from 18.2% to 24.6% over the same period. Non-performing loan ratios decreased from 6.4% in 2019 to 3.9% in 2022, indicating improved asset quality. The branch's capital adequacy ratio consistently exceeded Bank of Uganda's minimum requirement of 12%, averaging 16.8% across the study period. Audit reports confirmed unqualified opinions for all years examined, with minimal compliance observations, supporting high financial reporting standards adherence. Customer deposits grew by 47% between 2019 and 2022, while loan portfolio expanded by 52%, suggesting enhanced stakeholder confidence linked to transparent financial practices.

6.0 Conclusion

This study conclusively established that financial reporting standards significantly influenced financial performance at Centenary Bank Kassanda branch. The strong positive correlation ($r=0.698$, $p<0.01$) provided empirical evidence that comprehensive adherence to IFRS and associated financial reporting practices yielded substantial performance benefits. Specifically, robust compliance enhanced transparency, which strengthened stakeholder confidence and facilitated deposit mobilization and lending expansion. Internal controls embedded within financial reporting frameworks improved operational discipline, reducing errors, fraud risks, and non-performing loans. Enhanced disclosure quality supported better management decision-making through reliable financial information availability. The study confirmed that investments in financial reporting standards compliance generated tangible returns despite associated costs. Documentary evidence showing consistent profitability improvements, asset quality enhancement, and unqualified audit opinions validated questionnaire findings. Centenary Bank Kassanda's experience demonstrated that even rural bank branches could successfully implement rigorous financial reporting standards while achieving superior performance outcomes.

However, the study identified areas requiring continued attention, particularly staff competency development in evolving IFRS requirements and technology adoption for efficient reporting processes. The research filled an important knowledge gap regarding financial reporting standards impacts in rural banking contexts within Uganda, providing evidence-based insights for practitioners, regulators, and academics.

7.0 Recommendations

Centenary Bank management should enhance internal audit capacity through increased staffing, advanced audit technologies, and expanded audit scope to ensure continuous monitoring of financial reporting compliance. Regular audit committee meetings should review compliance status and address emerging risks promptly.

The branch should establish systematic training programs ensuring all staff, particularly accounting and finance personnel, remained current with evolving IFRS standards, regulatory changes, and best practices. Annual training budgets should prioritize professional certifications (CPA, ACCA) and specialized workshops on complex reporting areas including financial instruments, revenue recognition, and lease accounting.

Management should invest in integrated financial management systems that automated IFRS-compliant reporting, reduced manual errors, enhanced data accuracy, and improved reporting efficiency. Cloud-based solutions offering real-time reporting capabilities would support timely decision-making and regulatory submissions.

The branch should implement multi-level review processes for financial statements, including technical accounting reviews, management reviews, and external expert consultations for complex transactions. Quality assurance checklists aligned with IFRS requirements would standardize compliance verification.

Beyond minimum regulatory requirements, Centenary Bank Kassanda should adopt voluntary disclosures providing stakeholders with comprehensive insights into financial position, risk exposures, and strategic direction. Enhanced transparency would further strengthen stakeholder confidence and competitive positioning.

Management should continuously assess and upgrade internal controls supporting financial reporting, including segregation of duties, authorization protocols, reconciliation procedures, and information security measures. Annual control effectiveness assessments would identify and address control weaknesses proactively.

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