



**COLLEGE OF BUSINESS AND ECONOMICS**

**DEPARTMENT OF MANAGEMENT**

**ASSESSMENT ON OPERATIONAL RISK MANAGEMENT IN  
COMMERTIAL BANK OF ETHIOPIA (IN CASE OF WOLKITE BRANCH)**

**ARESEARCH PAPER SUBMITTED TO DEPARTMENT OF  
MANAGEMENT FOR PARTIAL FULFILLMENT OF THE  
REQUIREMENT FOR BA DEGREE IN MANAGEMENT**

**PREPARED BY: BIRHANU ALAMINEH**

**IDNO: BER/113/09**

**ADVISOR: KASSAYENESH G. (MBA)**

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**WOLKITE, ETHIOPIA**

## **DECLARATION**

I hereby declare that the research entitled on “Assessment on Operational Risk Management in Commercial Bank of Ethiopia (In Case Of Wolkite Branch “is my own work, that it has not been submitted for any degree or examination at any other institution of higher learning, and that all references have, to the best of my knowledge, been correctly reported. It is being submitted for BA degree in management at Wolkite University.

**Student's Full Name:** Birhanu Alamineh

**Date:** \_\_\_\_\_

**Sign:** \_\_\_\_\_

## CERTIFICATION

It is certified that this research project titled “Assessment on Operational Risk Management in Commercial Bank of Ethiopia (In Case Of Wolkite Branch)” is based on original research work carried out by Birhanu Alamineh under my supervision and that it has not been submitted for the award of any degree in this or any other University.

Name of Advisor: Kassayenesh G. (MBA)

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

## **Approval sheet of the research**

As an examining member of the final research defense program we certify that we have read and evaluated the research prepared by Birhanu Alamineh entitled: “Assessment on Operational Risk Management in Commercial Bank of Ethiopia (In Case Of Wolkite Branch)”, and recommended that it is accepted as fulfilling the research requirements for BA degree in management.

### **Examiner -1**

Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

## **AKNWOLDEGMENT**

First I would like to thanks Almighty GOD for his support throughout my academic life and everything for my success. Next I would like to express my deepest gratitude to my advisor Kassayenesh G. (MBA) for her patience in correcting my work starting from the proposal to the final research and friendly treatments, suggestions and follow up throughout the activities of this research paper. I would also like to express my heart gratitude to my family for their financial and moral support finally, my acknowledgment would not end without mentioning all my friends and the employees of commercial bank of Ethiopia at wolkite branch who help throughout my work.

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## **ABSTRACT**

*The research was conducted to assess operational risk management in commercial bank of Ethiopia at wolkite branch. The main objective of this study is to assess the operational risk management and controlling techniques in the bank. The researcher used both primary and secondary data sources. The primary data was collected from the employees of the organization through questionnaires. The secondary data was also gathered from books, materials, documents, and libraries. Researcher has used census survey sampling techniques in order to gather the essential data accordingly 36 employees of the organization where included. The collected data were analyzed by descriptive analysis tool were use such as percentage, frequency, tabulations. The major findings of the research show that personal property and motor vehicle risk were happened mainly due to carelessness of the employees in the organization. Finally researcher recommended that the company give special attention on this issue to minimize the risk.*

**Key words: operational, exposures**

# **CHAPTER ONE**

## **1. INTRODUCTION**

The aim of this chapter is to identify the research topic and to formulate research questions. Thus the chapter begins with an introductory background of the study, statement of the problem with in the research questions, objective of the study, purpose of the study, scope and limitation of the study.

### **1.1 Background of the Study**

Today Risk affects every aspects of the organization in the world and risk is not contained within predictable boundaries a single event can cause affluence sewer as areas of organization of ones and reduced consequences the immediate impact or exposure (validation scandzzo 2013).

Risk affects organization not to achieve their goal by creating number of obstacles in them on other side failure of organization in achieving their respective goal influence the country's economy development such thing respective goal influence the country at large hence the enemy of organization should be property managed so as to prevent its strategic impact in every as pest of organization (pandy 2009).

Operational risk management practice in Africa is the essential to the manager and away which helps the organization to pooled back their objectives by assessing and identifying the risk occurred on them.

Operational risk is managed by various controlling techniques such as risk avoidance loss control risk retention and risk transfer the quality environmental and safety management systems reveals that there is relationship between those management systems practice and the performance of an organization (Gordon and Wiseman 2011).

Risk is objectified uncertainty as to the occurrence events risk is possibility of unfavorable devotion from expectation it is the possibility that some what we'll do not want to happen something they we want to happen will fail to do so (William 2014).

It is important to maintain the organization in Ethiopia with the use of update employee technologies and machines for its productivity and effective performance the organization which

use these must manage the risk properly for the development and effective risk handling purchasing insurance and giving raining the employees of the corporation plays the greatest role and the activities of commercial bank of Ethiopia in order to achieve the organization goals through the use of man power technologies and machines purchasing insurance and training to workers is absolutely essential for any organization in order to enhance their operational performance and management efficiency to satisfy their employees local community, shareholders, customers University stockholder operational risk management typically covers a broad range of risk that are internal to an organization(Corrigan 2010).

## **1.2 Statement of the problem**

Risk is uncertainty regarding loss and poses and problem to business and individual in nearly every work of life risk is a condition is which there a possibility of deviation from a desired outcome (George rejda 2012).

Operational risk management can add the value to where the possibility exists in servile or catastrophic outcome (gene 2011).

The information about possibility for one or more outcome separate operation risk based decision from traditional decision making, however operational risk management practice are affected by so many factors

This is partially due to the fact that most customers have less confidence in the corporation based on their historical relationship in addition those who adopted the preserving their services dissatisfaction in that the corporation does not have customer friendly(validation scandzzo 2013).

Customers are heard of complaining that there is failure in the system itself that they could not retail in which the corporation in linking this problem ad joins with network, which is owned commercial bank of Ethiopia. Hence, the study conducted to see the activities of operational risk management practice in commercial bank of Ethiopia and to suggest a recommendation that helps to improve the performance of employees by using effective operational risk management practice in wolkite town.

Therefore the study addressed the following basic research questions.

1. What are the operational risk exposures of the bank?
2. What kind of preventive technique and controlling procedures of the operation risk management practice?
3. What types of methods are available in the bank to improve the operational risk Management?

### **1.3 Objective of the study**

#### **1.3.1 General objective**

The general objective of this study is to assess the operational risk management and controlling techniques in commercial bank of Ethiopia at wolkite branch.

#### **1.3.2 Specific Objective**

1. To identify the major exposure of the bank to the operational risk
2. To assess the main preventive techniques and tools improved in the operational risk Management
3. To identify the type of operational risk management practical applied by the organization.

### **1.4 Significance of the Study**

- ❖ The study expected to be significant in the following points
  - ✓ To provide information regarding to the operational risk management exposure for the company
  - ✓ It serve as a source of note for students and teacher in the field of study in future
  - ✓ It initiate other researchers to conduct their study in this area (related area)
  - ✓ It helps the organization to try insight or how effective and minimize problem related to risk and loss
  - ✓ It helps for society to have the employee and manager has agood relation to solve different proplems.

- ✓ The study expected to motivate researcher to goin to further study on the issue and service as a references.

### **1.5 Scope of the study**

The study limited only to the public sector with the particular reference to commercial bank of Ethiopia from southern Ethiopia in wolkite main branch. It includes the major problems that were identified in the operational risk practices therefore the study continued continent with in real of operational risk management especially operational risk minimization practice.

### **1.6 Limitation of the study**

The main limitation of this research were include the following

- Some respondents were not voluntary to respond the quaternary's properly with in specific period of time
- Because of All employees of the bank were not found within one day their is difficulties to distribute quaternary's
- Some respondents filled the provided questionnaires carelessly.

### **1.7 organization of the research**

The research was organized in to five chapters. The first chapter contains back ground of the study, statement of the problem, objective of the study, scope of the study, limitation of the study and significance of study. Chapter two contains related literature reviews. Chapter three consists of research methodology, Source of data, method of data collection, sampling techniques, population and sample sizes, method of data analysis and interpretation, budgeted cost and time schedule. Chapter four about data analysis and interpretation and the last or chapter five is all about conclusions and recommendation of the research.

## **CHAPTER TWO**

### **2. LITERATURE REVIEW**

#### **2.1 Introduction**

In this chapter an attempt is made to present and preliminary review as literature review related to operational risk management as work place with in theoretical, empirical and summary of literature reviews.

#### **2.2 Theoretical reviews**

##### **2.2.1 The meaning of operational risk**

Operational risk is the prospective of loss resulting from inadequate or failed procedures system or policies.

Operational risk can play a key role in developing over charging risk management the planning and information security and compliance measures the first step in developing an operational risk management strategy can be creating a risk map plan that identifies assesses communities and mitigates.

The first steps in operational risk management involves identifying risk potential risk are then assessed to potential impact and cost it a risk is determined to be reduce the impact of the risk this process occurs constantly in operational risk management and is designed to be constant.

when problems with human error strike operational risk management aims to reduce training employees training members of an of organization can give them skill and knowledge that helps reduce the occurrence of interruption doer to human error injury can both stop production and President a liability risk for the organization diligent training of members of the organization can help ensure that they follows safe and productive

## **2.2.2 Importance of operational risk**

Self-members can also receive training that tells them how to deal with emergencies when they occur to reduce losses as result of the emergency giving staff an emergency plan such as fire exit plan or emergency plan can help reduce employed anxieties about potential risk or interruption in operation training is given to members at all levels of the organization to ensure that all members of the organization are trained for and committed to reducing the identified risk (Melissa Welty 2014).

## **2.2.3 The Meaning of risk**

Risk is uncertainty regarding loss and poses and problem to business and individual in nearly every work of life risk is a condition is which there a possibility of deviation from a desired outcome (George rejda 2012).

Risk is objectified uncertainty as to the occurrence events risk is possibility of unfavorable devotion from expectation it is the possibility that some what well do not want to happen something they we want to happen will fail to do so (William 2012).

## **2.2.4 Basic categories of risk**

There is various classification of risk for work by deferent all throes among the financial and non-financial risk objective and subjective risk pure and speculative risk fundamental and particular risk and dynamic and static risk are the most to this study

### **2.2.4.1 Financial and non-financial risks**

In its broadest context the term includes all situation in which there is an exposure to adversity in some cases this adversity involves financial loss which in other it does not

There are some elements of risk in every aspects of human end cavorts and money of these risk no or incidental those risk that involves financial risk loss (George rejda 2012).

#### **2.2.4.2 Fundamental and particular risk**

Fundamental risk are essentially group risks that condition which causes then have no relations of any particular individuals most fundamental risk are economic, political and social whose occurrence affect the life of money as all individuals at a time, in other word the fundamental risk affect entire society or a large segment of talking the risk is therefore left the society itself (George Rejda 8th end 2012 p.1.8).

Particular risk are the responsibilities of individual they can control by purchasing insurance financial policies and other techniques it's occurrence affect each individual specifically. They are usually personal in case almost always personal in their application because they are also largely personal in their nature they individual has a certain degree of control over their cause particular risk are the responsibility of individual they can control by purchasing insurance fundamental policies and other techniques its occurrence affect the life of one or few individual at a time example of it is car collection (Williams richdrdm.mein is 24th end p.17).

#### **2.2.4.3 Pure and speculative risk**

Pure risk is defined as situation in which there is only the possibility of loss or no loss the only possible outcome are adverse (loss) and neutral (no loss) if represents or result only chance of loss but not chance of gain a pure risk exist when there uncertainty about the occurrence of the loss for example the owner of an automobile faces the risk association with potential collision loss it a collision occurs the owner's remain unchanged.

Speculative risk provides favorable consequence the situation is characterized by possibility of either loss in gain on the others ward in exist when then there is uncertainty about on event that cloud produced either profit or loss people are need more adverse to pure risk as compare speculative risk it in general insurance (George Rejda 2012).

##### **2.2.4.3.1 Classification of pure risk**

While it would be impossible to lose all risk confronting on individual is business we briefly line the nature of various risks that create financial insecurity such as personal risk property risk and liability risk (Tekle Giorgis 2012).

### **A. personal risk**

Personal risk refers to the possibility of loss to persona such death disability and loss for earning power.

### **B. Property risk**

Ant one who owns property risk because such as possessions can simply destroyed or stolen

A business and individual that own rent or use of property is exposed to the risk that property may be damaged or stolen those losses associated with the destruction of property by direct loss indirect at consequential loss.

### **C. Liability risk**

Liability risk is a risk that is an intention injury of other person or damage to entry through negligence or carelessness (William 2012).

### **2.2.4.4 Objective and subjective risk**

Objective risk is defined as the relative variation of actual from expected losses.

Objective risk or statistically risk applicable to mainly groups of objective exposed to losses refers to variation that occurs when actual losses differed from expected rolled for example assume that property insurance has 10,000 houses insured over long period and average one present or 100 hours to burn each year in some year as few as 90 hours may burn while in other years as many as 40 houses may burn thus there is variation of 10 housed from the expected number of 100 or variation of houses 10 present this relative variation of actual loosed from expected 100 is known as objective risk (William 2012).

Subjective is defined as uncertainty on persons mental condition or state mind subject risk is psychological uncertainty that stems from the individual mental attitude or state of mind some writers are used the word uncertainty to synonymous with subjective risk and defined have subjective risk has been measured by measured by means of different. Psychological lest but not widely accepted or uniform test of probability have been developed thus although we recognize different degree of risk taking willingness in person it is difficult to measure these attitudes

scientifically and go predicate risk taking be having such as influence burning behavior, from test of risk to taking attitudes (Basis 2013).

#### **2.2.4.5 Dynamic and static risk**

Dynamic risk are those from changes in the price level customers tests in come and output and technology may cause financial loss to members economy they are less predictable than static Tuchman and James 2009).

Static risk involve those lounges that would occurs ever it there were no change in economy with no change price level customer performance output and outcome in like dynamic risk is not a source of an gain to society (J.Triechnmann.and centavo standard G.P.S).

#### **2.2.5 Risk management definition**

Risk management refers to the identification measurement and property liability personal pure risk exposure. It is a general management function that seeks to assess and address the cause and effective uncertainty and risk in on organization (will ROMs 2009).

Risk management also defined as a systematic process for the identification and evaluation of pure lose exposure faced an organization or individual and for the selection and implementation of the most appropriate technique for testing such exposure. It is a specific approach to dealing with pure risk by anticipating possible accidental losses and designing implementing that minimize the occurrence of losses as the financial impact of the loss that does occurs. As a general rule the risk manager is concerned only with management of pure risk not speculative risk. All pure risk are concerned only with management of pure risks including these that are UN insurable (Triechnmann and costromstndard).

#### **2.2.6 Objective of Risk Management**

Risk management has several important objective that can be classified in two categories pure loss objective a from or organization has several risk management objective prior to the occurrence of a loss the most important include economy the reduction of anxiety and meeting external imposed obligation.

Post- loss objective this contains several of the firms several means that after a loss occur the firm can at least resume potential operation with in some reasonable time period it is choosing to do so(George Rejda 6th .ed.p.41).

### **2.2.7 Steps in Risk management Process**

whether the concerned is with a business or an individual situation the some general steps can because to systematically analyze and deal with the risk known as risk management process the four steps I the process are following

- Identify risk there are many potential risk that control individual and business the risk management process is concerned primary with the identification of relevant exposure to pure risk (William Jr.L.5 MTh risk management and insurance 2012).

- Evaluate risk for each source of pure risk can be categorized as to how after associated losses are likely to occurs in addition to this evaluation of loss the Quincy an analysis of size or severity of loss is helpful consideration should be given both to the most probable size of any that may occur end to the maximum possible losses that might happen as part of the overall risk evaluation it may be possible to measure degree of the risk in melon full way in some situation (George. Rejda 2012).

### **2.2.8 Implement and review decision**

Following a decision about the optimal methods for handing identified risk the business or individual must implement the techniques selected have ever risk management should be an urging process in which prigs decision are review regularly

Some times less risk exposure a rise's or significant change in the expected loss the Quincy or severity occurs (George Rejda 6th end p.42).

### **2.2.9 The range of risk identification Technique**

The methods for risk identification will be appropriate for all from of risk or for simple from of an different situation there is a range of technique available and these techniques can be identified as follows (George and Rejda 8th end pt. 2).

## **1. Organizational chart**

These are intended to highlight broad areas of risk rather than specific and individual risks such as fire, security or liability. The organization of chart encourages the risk identification to take a bird's eye view of the organization to stand back the door to door operation and stock of the risks that exist. This means risk identification does some explanation in much organization there will be a risk and insurance manager employed whose job impact will be the mitigation of the risk (J. Triemanmann).

## **2. Physical inspection**

Physical inspection is the most common and best understood of all techniques available

Inspection is necessary for the risk manager by observing firsthand the organization facilities and the operation conducted this on (William .Jar Richard. Mavens 4th ed).

The inspection of the plant process takes a different approach and can be a time consuming job (William. Jr.Richard 4th ed).

It is necessary to do some preparation work so that time is not wasted during the visit itself. This preparatory work will include finding out exactly what process is carried out at the premises. The nature of the service or product manufacturing (Gren.mark.R and James Jrichamann Risk and insurance 6th Ed 2015).

## **3. Check list**

The basic idea of the check list is that a person is sent to the site for completion by someone there. These check lists act as a source of risk. If really taken the place of a personal visit and so it has to be drawn up very carefully check lists provide a listing of all the various policies or types of insurance that may be needed by a business (J.Treachmann 6th ed 2009).

## **4. Flow chart**

It is another systematic procedure and identifying potential losses facing a particular firm first a flow chart is a systematic representation of a sequential process which shows all the operations of the firm starting with raw material electricity and their inputs at suppliers location and ending

with finished products in the hand of customer second the check list of potential property liability and personal losses nipple to each property and operation shows in from chart to derriere which losses the firm focus (George E rejda 2012).

## **5. Contract analysis**

Many organization exposures take a risk from the contractual relationship with other organization an examination of these contacts may real areas of exposure that are note responsibility to the other parties.

## **6. Financial statement method**

Another systematic method for deforming which of the risk potential loss in the check list applies to a particular firm and in which way the financial statement the trade by ammonizing the balance sheet operating statement and supporting record the risk manager can identify all the existing property liability and exposure of the firm.

## **7. in cadent report**

A network information source can be very use fall in identifying possible loss ideally the information provide throughout network should include not only repost of accident and near injury and damage but presumable did not the quietly good fortunate and check allowed person to escape without injury a form on accident the posed a serious injury and damage it the circumstance repeated but only if the risk manager are aware of the potential loss (William).

## **2.2.10 RISK MANAGEMENT**

Risk management is the process of potential loss to its size and their probability of occurrence. After the risk manager has identified the various types of loss faced by his or her firm this exposure must measure in order to determine their relative important and obtain information that will help a decide upon the most durable combination of risk manage fools (William FR and record Heinz 4th ed. p.56).

### **2.2.10.1 The Use of operational risk management System**

The currently organization use many different approaches and methods for managing risk in their operations the methods can be grouped in to three main categories namely

- Genetic risk management system
- Enterprise wide risk manager system
- Operational risk management systems based on operations management

### **A. Genetic Risk Manage Agent System**

Is one of the first risk management standards of its kind Knight (2010) point out that this standard quickly became one of the top- selling standards after its publication?

The main objective of the topped loin in the implementation of risk management practices it precludes a risk technology glossary genetic implementation guidelines and a frame work or mode for risk assailment and management according to key (2013).

The risk management frame work can be divided in to a risk management program and a risk management process the risk management program is the practice of risk management with in an organization it consists of six implementation steps

- Develop a risk management plan
- Ensure the support of senior management
- Develop and communicate the risk management policy
- customized the risk management process and Ensure adequate resources

### **B. Enter pries wide risk management systems**

ERM is an emerging concept that can be destined as an approach to managing risk in an organization by integrating and coordinating all risk cross the entire organization the ERM tram cloak is differentiated as separate entity to other models which can be used as an enterprise risk management program (affiscoetal 2011) other organization on the other hand used their own self developed models as an enterprise risk management program (coso 2016 sharmar 2012).

### **C. Dimension to be measured**

Information is needed concerning two dimension of each exposure

1. The loss frequency or the number of losses that will occur
2. The loss severity

The loss frequency and loss surety data are needed to evaluate the relative importance exposure to potential lasses however the important of our exposure depends mostly up or the potential severity not potential frequency but frequency cannot be is no related.

#### **1. Loss frequency**

One measure of loss frequency is the probability that a single unit suffered one type of loss from a single peace during the coming year the risk manager can the some estimate the probability.

#### **2. Risk control tools**

There are designed to reduce the firm expected losses and to make annuals loss experience more predictable the objective of risk control is to reduce the frequency the potential losses more specially risk control effort helps individual as an organization a void risk prevent loss and losses the amount of manager a loss occur or reduce understand effect it risk on an organization. The risk control tools including the following tools

Avoidance of risk exist when the individual or organization from itself from the exposure through abandon mint and refuse as to accept the risk from the very beginning to avoid individual or the exposure is associated avoidance is effective approach to the hand lines of the risk avoid the risk the company can avoid the uncertainty the company experiences however the company loss benefit might have been disordered from this risk (William 8th ed 2012).

The advantage of avoidance is that the chance of loss reduced to zero it the loss exposure is not acquire in addition is an existing loss exposure is abandoned the possibility of loss is either eliminated or reduced.

Disadvantage of avoidance

It is impossible to avoid loss avoid once is that recent be practical or possible to avoid the exposure some charge enteric of avoidance

Avoidance may impossible to avoid risk

The potential bunters to going from employ certain person outgoing pieces of property or engaging in some activities avoidance risk may carafe another risk (William 8th end 2012).

### **3. Risk financing tools**

This is the easing method to hand long risk the person of the firm consciously or in consciously decides to assume the risk the loss to be borne by the person or firm and specific measure are taken to transfer the risk to an other

### **4. Non-insurance transfer**

This is a method or mechanism of transferring the risk from the individual to the prongs

There are two types of non- insurance Tranter (trench Mann and marks G.Sandra Gaston 10th end 2

#### **A. Neutralization or headlines**

It is the process of balancing the chance loss against the change of agar

#### **B. Hold harmless agreement**

Area contract centered in two prior to loss in which one party agree to as sum of second party responsibility if a loss occurs

### **5 .Self-insurance**

Is a special from of planned returned by which part undo all of a given loss exposure is retained by the better name for self-funding which expresses more clearly the a dead that losses are tended and paid by the firm.

### **2.3 Summary of literature review**

In this chapter we have states that literature review of the study by dividing in to two main topics this are theoretical and empirical reviews from the above two main topics there is other sub topics under theoretical review sub topic concepts like the meaning of operational risk management, importance of operational risk, the meaning of risk, basic categories of risk, objective of risk management, steps in risk management process, risk management system, risk policy of commercial bank of Ethiopia in wolkite branch and at the end of this chapter we also states some empirical reviews of the study.

Hence, the study will conduct to see the activities of operational risk management practice in commercial bank of Ethiopia and to suggest a recommendation that helps to improve the performance of employees by using effective operational risk management practice in wolkite town.

### **2.4 EMPERICAL REVIEW**

Internationally a good number of studies in the research area have been done.

Mohad& Salina (2010) investigated the operational risk administration practice and financial execution of Malaysia Islamic banks. The period study covered (2006-2008).in order to measure the risk administration practice.

According to Wanjohi (2013) did study on operational risk management and financial performance of commercials bank of Kenya. The study Wanjohi identify acknowledge gap since the study focused on the financial risk management and financial performance of commercial bank of Kenya.

## **CHAPTER THREE**

### **3. METHODOLOGY OF THE STUDY**

#### **3.1 INTRODUCTION**

The purpose of this chapter is to describe the methodology or procedures that used in the study. The chapter consists of the following: research design, the sources and types of data for the study, method of data collection, population and sample design, method of data analysis in the study.

#### **3.2 Description of the study area**

The study limited only in the public sector with the particular reference from commercial bank of Ethiopia from southern Ethiopia at wolkite town in wolkite branch. It is also the services provide for the country Ethiopia the office is in wolkite town.

#### **3.3 Research design**

In fact the research design is the conceptual structure with in which research is conducted. It constitutes the blue print for the collection, measurement and analysis of data. Then the researcher were used descriptive types of research design because its objective is to find out and describe information about the situation of operational risk management at the target in commercial bank of Ethiopia.

Approach of this study is descriptions by the type of the data need for the study data collection and analysis. In this study both qualitative and quantitative approach were used.

#### **3.4 Data Type, source and Methods of data collection**

##### **3.4.1 Source and Types of data**

The study collects data from both primary and secondary sources. Primary source to obtain the data collected from the sample of respondent and the secondary source were from different written material journals and websites employed secondary data so that they helps to get better and reliable information to achieve objective of this study.

### **3.4.2 Methods of Data Collection**

Method of data collection is the task of data collection begins after research problem has been defined and research design or plan is checked out means that the researcher decided which sort of data by using for his study and accordingly the researcher selected one or the other method of data collections. The researcher used both primary data collected by prepared questionnaires and as secondary data collected from Internet, books, and documents in the organization. The data for this study were collected through well administered questionnaires, the main reason for using this tool is the researcher can introduce topic and motivate the respondent to offer their exact answer. Both open ended and close ended questionnaires were used. The Source of questionnaire was from books of Tackle Geogis Risk and insurance (2012).

### **3.5. Population and sample Design**

Target population is particular group of people that identified as the intended recipient of an advertisement product or campaign it is also called target audience. Commercial bank of Ethiopia in Wolkite branch has total number of 36 employs. From the total number of employee 32 are males and the remaining 4 are female. The study were taken 36 employs the target population. Since the population is manageable, the researcher used census method because the employs are sufficiently small in number. Due to this reason census sampling method is an appropriate and it is attractive for small population to eliminate sampling error. It provides detailed information on an all individual population. In addition to this it is possible to obtain high quality and reliable information from the respond.

### **3.6 Methods of Data Analysis**

To analyze the data gather through the different gathering tools and researchers use different techniques of data analysis the data were tabulated so in the form of tables and percentage is until then the data is interpret and assess to reach logical.

both qualitative and quantitative data analysis were used since, the researcher attempt to find all relevant information in both sides that means if the information that relate to the study if numerical data is used then the data analysis is quantitative and if the information is non-numerical data then we can use qualitative data analysis.

## CHAPTER FOUR

### 4. DATA PERESENTATION, ANALYSIS AND INTERPRETATION

#### 4.1 introduction

This section deals the analysis and interpretation of the collected data from commercial bank of Ethiopia in wolkite branch about the operational risk management process.

The researcher attempt to analysis to the data collected through questionnaires and other related source to known this about 36 questionnaires were distributed to the employee of the organization but only 35 questionnaires were collected and found to be relevant for the analysis the remaining some questionnaires was not turned so the following analysis was made based on respondents respond profile.

#### 4.2 personal information

**Table 4.1 demographic characteristics of the respondents**

No	Item	No of respondents	Percentage %
1	Gender		
2	Male	31	89%
	Females	4	11%
	Total	35	100%
	Age	No of respondents	Percentage %
	18-25	11	31%
	26-45	18	51%
	Above 46	6	18%
	Total	35	100%
3	Education level	No of respondents	Percentage %
	12 complete	–	–

	Diploma	4	11%
	Degree	26	74%
	Above degree	5	15%
	Total	35	100%
4	Marital status	No of respondents	Percentage %
	Single	17	49%
	Married	18	51%
	Divorce	–	–
	Widowed	–	–
	Total	35	100%

Source:-compiled from questionnaires 2019

The above table item (1) show that most of the respondent wise males 31(89%)and females 4(11%)of the respondent were females this show the number of females is less than the number of male and it indicates low participation of females in the organization in case of item(2) above table 11(31%)of the respondents age found between 18-25 years and 18(51%)of respondents were in the group between 26-46 years and the rest of 6(18%) of the respondent were in the age group above 46 years this indicates that in the organization there are young and productive man passer, in the case of item (3) above table education level 4(11%)of the respondent said that diploma 26(74%) of the respondent said that degree5(15%)of the respondent said that above degree of the respond from this the researcher can say that the majority of performance are degree graduate and this enable the organization gout the charge for the reeducation for employees to increase the knowledge and performance and As it is stated in the above table item (4) is the marital status of respondent show that 17(49%) of the total respondent are single 18(51%) of the total respondent are married. this show that majority of employees in the organization are married.

### 4.3 Topic related questions

**Table 4.2 method for identifying the risk**

5. What are the ranges of techniques available for risk identification in the organization?

Item	No of respondents	Percentage %
Organization Chart	7	20%
Physical inspection check list	13	37%
Check list	4	12%
Financial statement	6	17%
Incident report	5	14%
Total	35	100%

Source:-compiled from survey questionnaires 2019

The above table show that among 35(100%) of the respondents 13(37%) said that the physical inspection is commonly used for identifying the risk in the organization 5(14%) of the respondents said that incident report methods used for identifying risk 7(20%) of respondent said that an organization chart used 4(12%) of them said check list is used for identifying risk and the other 6(17%)of the respondents said that financial statement methods used for identifying risk among the range technique an available for risk identification the organization widely used processes is physical inspection.

**Table 4.3 types of risks that are in the organization**

6. Which types of pure risk is happened in the organization?

Item	No of respondents	Percentage
Property risk	9	26%
Personal risk	14	40%
Liability risk	12	34%
Total	35	100%

Source:-compiled from questionnaires 2019

The above table shows that most of the respondent 9(26%) of them said that are property types of risk, 14(40%) of the respondents said that personal types of risk in the organization and 12(34%) of the respondent said that liability types of risk in the organization from this I can understand that the type of risk that mostly happened in the organization is personal risk.

**Table 4.4 the magnitude of risk**

7. From the question No 6 what is the magnitude of risks happened to an organization?

Item	No of respondent	Percentage %
Very serious	7	20%
Serious	11	31%
Moderate	17	49%
Total	35	100%

Source compiled from the survey questionnaires 2019

The above to be show that among 35(100%) of the respondent 7(20%) that the very serious is commonly used for magnitude of risk happened to an organization 11(31%) of the respondents said that serious is magnitude of risk happened to an organization 17(49%) of the respondent said that magnitude of the risk is moderate that happened to an organization from this the researcher can conclude that the magnitude of the risk in the organization is moderate.

**Table 4.5 analysis of risk management tool**

8. Which tools of risk management will be used for protected risk in the organization?

Item	No of respondents	Percentage
Risk control tools	9	26%
Risk finance tools	5	14%
Both	21	60%
Total	35	100%

Source: - completed from survey questionnaires 2019

The above table indicates that 21(60%) of the respondent organization practice both risk control and risk financing tools to handle the risk of the organization practiced 9(26%) of respondent said that risk control tools to handle the risk and 5(14%) of respondent said that risk finance tools to handle the risk from this the organization in general practiced both risk control and risk financing tools.

**Table 4.6 analysis of risk control tools**

9. Is there any risk control tools exist in your organization?

Item	No of respondent	Percentages %
Yes	35	100%
No	-	-
Total	35	100%

Source: - completed from survey questionnaires 2019

Based on the data presented and analyzed in table 4.6 above the following respective interpretation could be given that Concerning the set of risk control exist in the organization the respondents on the organization activities about 35(100%) of the respondents aware of the risk control exist in the organization. From this the researcher concludes that the respondents has aware of the risk control exist in the organization.

**Table 4.7 types of tools**

10. If your answer for question no 9 is yes, which tools exist?

Item	No of respondents	Percentage
Avoidance	6	17%
Less prevention reduction	11	31%
Separation	4	11%
Diversification	8	24%
Combination	6	17%
Total	35	100%

Source: - compiled from survey questionnaires 2019

The above table shows that 11(31%) of the respondent said that less presentation is practiced in the organization 4(11%) of them said that separation process 6(17%) of the respondents said combination is practiced 6(17%) of the respondent said that avoidance is practiced and the remaining 8(24%) of the respondent said that diversification is practiced in general among the risk control tools organization widely practiced tool is less prevention.

**Table 4.8 risk financing tools**

11. Among the risk financing tools, which one is existed in the organization

Item	No of respondents	Percentage
Retention	4	11%
Insurance	20	58%
Both	11	31%
Total	35	100%

Source. Compiled from survey questionnaires 2019

The above table indicates that about 20(58%) of the respondent said insurance is the widely used risk financing tools to the organization 4(11%) of the respondent said retention is the risk financing tools to the organization and 11(31%) of the respondents said that both retention and insurance are the risk financing tools used by the organization from this analysis the risk financing tools that existed in the organization is insurance.

**Table 4.9 Responsible for determining and meets damager of risk**

12. Which part of the organization exposed for the damage of the risk?

Item	No of respondents	Percentage
Employee	11	31%
Property	10	29%
Motor	14	40%
Total	35	100%

Source; Collected from survey questionnaires 2019

The above table shows that about 14(40%) of the respondents believe that the motor vehicles most of the time meet with the danger of risk 11(31%) of the respondent said that employee are meet with the danger of risk and the remaining 10(29%) of the respondent said that properties most of the time face with danger of risk. in general motor vehicle most of the time meet with the danger of risk in the organization.

**Table 4.10 who are responsible in determining risk in the organization**

13. Who is the most responsible person for managing the risk in the organization?

Item	No of respondents	Percentage
Manager	9	26%
Employees	16	46%
Government	7	20%
Other	3	8%
Total	35	100%

Source: - compiled from the survey questionnaires 2019

The above table indicate that about 16(46%)of the respondent said that employees of the organization have a responsible for the determining the risk 9(26%) of the respondent also said that a manager have responsible to the practiced risk in the organization 7(20%) of the respondents said that government have a responsible to deterring risk in the organization and another 3(8%) of the respondent said that other parties of the organization have a responsible for determining the risk in general employees of the organization have a responsible for determining the risk in the organization.

**Table 4.11 Information of measuring risk in the organization**

14. Which is the most measuring for the occurrence for risk in the organization?

Item	No of respondents	Percentage
Severity	11	31%
Frequent	10	29%
Both	14	40%
Total	35	100%

Source compiled from the survey questionnaires 2019

The above table show that about 11(31%) of the respondents said that severity are used to measuring the Dement of risk in the organization about 14(40%) of the respondents said that both severity and frequency of risk is used for measure the dimension of risk in the organization and 10(29%) of them said that frequency is used for measuring risk so the organization mostly used both severity and frequency methods in order to minimize risk in the organization.

#### **4.4 Open ended question**

15. How your organizations handle that risk? /minimize its adverse effect?

As the Respondent said that organization handle that risk/minimize adverse effect through

- by manage property and often risk they take it solve by depends on the standard
- First of all identify what is the problem in organization and then to find best solution for problem, then after it is easy to minimize this way.
- the organization prepared the check list after that when the risk occurred in the time
- Identity the cause of the risk and then find law to give possible solution.
- by protecting the employee and the organization before the risk has exist
- The bank shall get insurance for all properties and employees as well

## CHAPTER FIVE

### 5. SUMMARY, CONCLUSION AND RECOMAENDATION

In this chapter the researcher come up with major summary, conclusion and forwarded recommendation for the bank.

#### 5.1 Summary

Based on the result of the analysis and interpretation data made in chapter four, the researcher summarizes the major findings of the study as follows.

- ❖ Most of the respondent 31(89%) are wise males, in the organization there are young and productive man passers, 18(51%) of the respondent is between 18\_25 years the majority performance of respondent is degree graduate about 26(74%) and this enables the organization got the charge for the reeducation for employees to increase the knowledge and performance. Themajority18 (51%) of employees in the organization are married.
- ❖ Among the range technique an available for risk identification in the organization 13(37%) of the respondent widely used processes is physical inspection. The type of risk that mostly happened in the organization is personal risk 14(40%) as the respondent said.
- ❖ Most of the respondent 17(49%) says the magnitude of the risk in the organization is moderate as the respondent answers 21(60%) of the organization in general practiced both risk control and risk financing tools. About 35(100%) of the respondents aware of the risk control exist in the organization. Among the risk control tools organization 11(31%) of the respondent said that less presentation is practiced in the organization.
- ❖ About 20(58%) of the respondent said insurance is the widely used risk financing tools to the organization. About 14(40%) of the respondents believe that the motor vehicles most of the time meet with the danger of risk. About 16(46%) of the respondent said that employees of the organization have a responsible for the determining the risk, about 14(40%) of the respondents said that both severity and frequency of risk is used for measure the dimension of risk in the organization.
- ❖ finally As the Respondent said that organization handle the risk/minimize adverse effect by manage property and often risk they take it solve by depends on the standard, Identity the

cause of the risk and then find law to give possible solution and by protecting the employee and the organization before the risk has exist.

## **5.2 Conclusions**

The main objective of the study was to assess the operational risk management and effective controlling mechanism of commercial bank of Ethiopia in wolkite branch to analyze the collected data it is discussed according facts was stated in previous chapter there from here are conclusion for risk management in commercial bank of Ethiopia in wolkite branch.

- The conclusion that can be reached from that data is organizational inspection commonly used method for identifying the risk of that organization
- The organization practice both risk control, risk financing tools, losses prevention and reduction among the risk financing tools the organization practiced insurance methods
- The majority of respondent argue (believe) that most of the time motor vehicle meets the danger of risk
- In order to handle success fully the risk that occurs in organization commercial bank of Ethiopia implemented the policies of insurance.

### **5.3 Recommendation**

Based on the finding of the study the researcher tries the following possible recommendation for the organization.

- The company also use the available methods that are used for identifying the risk of the organization which are physical inspection and incident reports
- The company also implement both risk control and risk financing tools, especially risk control tools which include less prevention and reduction
- The company focus on implementing risk financing mechanism and it should strive to achieve financial sustainability
- As the respondent responses show the motor vehicle meets with the danger of risk then the company give special attention on these issue would be continued.
- Finally the researcher recommend that the company may incorporate and overall policy regarding the risk management activities in the organization must participate objectively rather than subjectively.

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**APPENDIX**  
**WOLKITE UNIVERSITY**

**COLLEGE OF BUSINESS AND ECONOMICS**

**DEPARTMENT OF MANAGEMENT**

**QUESTIONNAIRES**

**Dear respondent**

This questionnaire is prepared to produce paper on the topics study and assessment of operational risk management in commercial bank of Ethiopia for the partial fulfillment of BA degree in management hence it is purely for academic purposes so please respond to the questionnaires according to the direction given below.

**Instruction;** - please give your answer according to your choice for each questions

- By putting (√) mark in the both in front of the differentiates
- Writing your name is not important

**Part one: Personal information**

1. Sex

Male  female

2. Level of education

12<sup>th</sup> complete  Diploma

Degree  above degree Certificate

3. Age

18-25 years  26-46 years  above 46 years

4. Marital status

Single  married

Divorce  widowed

**Part two: research related questions**

5. What is the range of the techniques available for operational risk identification in the organization?

Organization chart  check list   
Physical inspection  financial statement   
Incident report  other

6. Which types of operational risk are mostly happened in the organization?

Property risk  personal risk  liability risk

7. From the question No 6 what is the magnitude of risks happened to an organization?

Very serious  series  moderate

8. Which tools of the risk management to risk in the organization?

Risk control tools  Risk finance tools  both

9. Is there any risk control tools exist in your organization?

Yes  No

10. If your answer for question number 5 is yes, which tools exist?

Avoidance  less prevention   
Separation  Diversification   
Combination

11. Among the risk financing tools which one existed in the organization

Retention  Insurance  Both

12. Which part of the organization exposed for the damage of the risk?

Employee  properties

Motor while  other

13. Who is the most responsible person for managing the risk in the organization?

Manager  employee

Government  other

14. Which is the most measuring type for that risk in the organization?

Severity  frequent  both

15. How your organizations handle that risk? /minimize its adverse effect?

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**Tanks for cooperation**