

**ASSESSMENT OF LIQUIDITY RISK MANAGEMENT IN COMMERCIAL BANKS: A
CASE STUDY OF POSTBANK UGANDA**

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ABSTRACT

This study considered the assessment of liquidity risk management in commercial banks. The specific objectives of the study were; To establish the extent of liquidity risk in financial institutions; To identify the liquidity risk standards, benefits and challenges of creating the standards; To identify the factors that influence the liquidity risk management framework. The study used a non-experimental design with quantitative and qualitative research techniques using a total sample size of 40 (fifty) respondents. Data was collected using self-administered questionnaires and interviews. The findings revealed that Liquidity is the ability to fund increases in assets and meet obligations as they come due. Bank liquidity risk management involves maintaining a store of liquid assets and access to various borrowing sources to guard against unexpected cash shortfalls. It is essential to strengthen the management of liquidity risk in order to make the banking sector more resilient to liquidity shocks and thus reduce the probability and severity of future financial crises. Therefore, the implication of the study is to help banks formulate and design effective liquidity policies which will benefit banks and other institutions offering loan facilities in mitigating the liquidity risk and it will be a basis for other researchers to be used as a benchmark for further understanding of liquidity risk management of commercial banks. In conclusion, banks should monitor the level of their business by using the set regulatory ratios and standards so as to balance their liquid asset increases and obligations as they fall due, as this can help in the mitigation and management of liquidity risk within the organization.