

**FOREIGN EXCHANGE RISK MANAGEMENT AND PERFORMANCE OF FOREX
BUREAUS IN UGANDA**

BY

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ABSTRACT

This research endeavored to achieve three main objectives: establish the performance of forex bureaus in Kampala; establish the different strategies of foreign exchange risk management used by forex bureaus in Uganda, and establish the relationship between foreign exchange risk management and performance of foreign exchange bureaus. The research study adopted a descriptive survey research method to ensure complete description of the situation. The study focused on a sample size of 177 forex bureaus out of a population size of 264 in Kampala city centre. Self administered questionnaires were administered to financial managers/staff members of the forex bureaus using 'drop and pick later' technique. In addition to questionnaire based data, data on performance indicators were obtained from Bank of Uganda to facilitate the understanding of forex bureau financial performance. Descriptive and inferential analysis methods were used to analyze the data. The results demonstrate that forex bureaus have experienced positive and unstable performance over the period and also firm have implemented numerous foreign exchange risk management practices to assess and lessen the impact of risk losses due foreign exchange fluctuations. Finally, the study provides findings on the relationships between foreign exchange risk management and financial performance. There is evidence of significantly positive linear relationship between foreign exchange risk management and financial performance of forex bureaus in Kampala.

In conclusions, the study findings demonstrate that forex bureau copy with foreign exchange risks through the use of different foreign exchange risk management practices. The foreign exchange risk management practices are implemented to assess and lessen the impact of loss associated exchange volatility. Nonetheless, the finding demonstrated a significant positive relationship between foreign exchange risk management and financial performance of forex bureaus. The study therefore recommends that forex bureaus should continuously strengthen their foreign exchange risk management departments so as to be in position to assess and lessen their companies from adverse consequences associated with foreign exchange volatility and business. The positive impact of foreign exchange risk management on financial performance demonstrated the economic worth of investing resources to caution the performance of forex bureaus from ever volatile foreign currency business environment.