ECO 717 ASSIGNMENT

**FACTORS AFFECTING FINANCIAL RISK MANAGEMENT PRACTICES OF FINANCIAL INSTITUTIONS IN BOTSWANA**

As with any economy, especially of developing countries, the financial sector plays a critical role in the financing of other business. In this study, we investigate the factors that influence the financial risk management practices of financial institutions in Botswana. Some of the financial risks that these institutions face include credit risks, liquidity risks, foreign exchange risks, market risks and interest rate risks. The objectives of this study is to find out:

* Whether the institutional structure (internal) influences the financial risk management model.
* What external factors affect the financial risk management model of these institutions?
* How do these institutions update their model with respective to these internal and external factors?

The hypothesis of the study is:

* The institutional structure influences what risk management model the institution adopts.
* Economic conditions and government policies influence the model these institutions adopt.
* These institutions make regular adjustment to their model relative to factors external to the institution.

How these financial institutions manage risk will be of interest to shareholders and investors as they will want to ensure that the institutions always minimize exposure to these financial risks.