Journal of Economics, Finance and Business Analytics
2024; 2(1): 1-13
https://quantresearchpublishing.com/index.php/jefba/article/view/26
ISSN:3006-0745 (Online)
DOI: https://doi.org/10.17613/g4mb-6s30

The Effect of Board Risk Management on Financial Performance of Selected Saccos in Kiruhura District, Uganda

[1]Benon Kyabarongo, [1]Moses Agaba, [3]Francisis Munyabonera, [2]Eliab Byamukama Mpora, [3]Cliff Kikawa, [1]Oliver Ahabwe.

[1] Department of Management Sciences, Faculty of economics and management sciences, Kabale University, Uganda

[2] Department of Business Studies Faculty of economics and management sciences, Kabale University, Uganda

[3] Department of Economics and Statistics, Faculty of economics and management sciences, Kabale University, Uganda

Suggested citation to this article:
Kyabarongo et al., (2024). The Effect of Board Risk Management on Financial Performance of Selected Saccos in Kiruhura District, Uganda. *Journal of Economics, Finance and Business Analytics*, *2* (1), 1-13

Received: 11 01, 2024; **Accepted**: 20 01, 2024; **Published**: 31 01, 2024

Abstract: Corporate risk management, and important ideas among Sacco's in Uganda are board risk management and financial performance. The study's general objective was to determine the effect of board risk management affected the financial results of particular SACCOS in the Kiruhura District. This study used a cross-sectional survey research design using a quantitative research methodology. The sample size consisted of 184 respondents, staff and members from the six Sacco's registered in the Kiruhura area of Uganda as of January 2023. A total population of 342 persons was used at a confidence level of 95% or an error of 0.05. Two stages separated the data that was collected for analysis. First, SPSS version 20.0 was used to conduct the preliminary data analysis and descriptive statistics on the respondents. In the second phase, structural equation modelling (SEM) was used to evaluate and investigate the structural relationships between the variables in the proposed conceptual model. These statistics included multicollinearity, mean and standard deviation, outliers and extreme values, and missing data. SEM was implemented using Jaffrey's Amazing Statistical Program (JASP) version 0.17.2.0. The study's conclusions were: The financial performance of savings and credit co-operative societies (Sacco's) in Uganda was found to be significantly positively impacted by board risk management (BRM) (=1.322**), boosting Ha, The study concludes that SACCOs would experience greater financial gains or better financial performance if they are more stringent about the processes they follow to review their risk profile and the policies they put in place. The study recommends that; Sacco's risk management committees of the board should be very effective in influencing the corporate risk management practices adopted within the SACCOs and that SACCOs should improve on the levels of BRM to achieve favorable financial results by applying careful attention to governmental regulations, rules and policies.

Keywords: Corporate Governance, Board Risk Management, Financial Performance, Uganda

1. Introduction

The organization's risk management procedure is overseen by the board risk management (Abdulrahman, 2016). According to Ali and Bagram (2019), risk management is the methodical process of recognizing, evaluating, responding to, comprehending, and sharing risk. The foundation of caution in Savings Credit cooperative societies' SACCO operations is corporate risk management. Prudence in SACCO practice is based on risk management (Jamel, 2021). The strategies used by Sacco's to reduce their financial losses are referred to as risk management. Risk is the possibility that foreseeable or unforeseen events, both present and future, could negatively or harmfully affect an institution's finances, profits, or ability to accomplish its goals. According to Trofimova (2020), if risks in Sacco's are not well managed, they might negatively impact the organization's performance. Anytime decisions are being made to increase an organization's performance and productivity, risk

management must be taken into account. Organizations have developed appropriate risk control measures to guard against unforeseen events as a result of the dynamic changes in their operating environment (Makokha, 2016). A board in charge of overseeing the risk management procedure was referred to as board risk management. Board risk management also refers to the duties of the board (sometimes known as the council, committee of management, or committee; these terms are interchangeable (Makokha, 2016). This is one of the board's most important responsibilities. Uganda has seen significant scandals caused by corporate governance failures even though both public and private companies have embraced the principles of the practice. These scandals have resulted in a loss of capital investment and trust, corruption and financial theft, the sale of company property without the consent of shareholders, a slowdown in economic growth and development, and ethical and social scandals (Muhanguzi, 2019).

SACCOS have a long history that dates back to antiquity. In the 1840s, modern cooperation first appeared in European industrial centres, particularly in France and Great Britain (Muhunga et al., 2020). SACCOS are becoming more and more regarded as a viable alternative to banks globally. A Savings and Credit Cooperative Society (SACCO) is an autonomous group of people who have come together voluntarily to pursue their shared economic, social, and cultural goals and objectives through a jointly owned and democratically run business (Muhunga et al., 2020) According to Rwakihembo et al. (2020), SACCOS's primary goal is to further the interests of its members rather than generate revenue. A SACCO needs to put in place efficient corporate governance to do this. The economic prosperity of Ugandans and the country as a whole, according to the African Confederation of Co-operative Savings and Credit Association (ACCOSCA), a grouping of national associations of SACCOS in African nations, depends on SACCOS, which serves as an alternative to banks.Rwakihembo et al. (2020). Ghana was the location of the first SACCO community in Africa, founded in 1959 by Father John McNulty. As stated by Alsayegh et al. (2020), the goal was to assist the villages in becoming more prosperous. English-speaking nations were the first to embrace SACCO. Kenya, Tanzania, Ghana, Uganda, Nigeria, and Tanzania were the initial members of the SACCO community. In the 1960s, SACCO gained popularity in most of Africa's non-English-speaking nations, and in the 1970s, a sizable number of new members joined the SACCO community (Mwakajumilo, 2016). Nonetheless, according to Iqbal (2016), corporate governance guidelines set by management typically promote transparency, accountability, and greater risk management in addition to improved financial performance. The capacity of SACCOs to respond faster to shocks from the inside as well as the outside has been associated with strong governance structures. The assertion by Arayssi et al. (2019) that corporate governance generally influences financial performance was supported by this reasoning. Thus, the relationship between corporate governance and business performance in the financial industry is a topic of intense discussion both domestically and globally. After attempting to identify the components of excellent corporate governance in Sub-Saharan Africa, Ene et al. (2016) concluded that the implementation of appropriate corporate governance frameworks may protect the company from future financial difficulty. Furthermore, according to Esokomi and Mutua (2018), effective governance practices are necessary to lower investor risk, assign members responsibilities, provide transparency, draw in investment money, and enhance SACCOs' financial success.

In Uganda During the 1970s economic crisis, when SACCOs initially gained popularity, banks were reluctant to lend due to the substantial risks associated with borrowers Rwakihembo et al., (2020). At this period, white-collar workers and government employees—some of whom hadn't gotten a paycheck in a while—had to locate other sources of credit. The Savings and Credit Societies were particularly beneficial when most public employees got together to save and borrow. The Uganda Savings and Credit Cooperative Union was founded in 1972 in the same way. The goal was to identify an organization that could better organize and enhance the capabilities of the primary financial cooperatives. As agricultural cooperatives emerged from the political and economic challenges of the 20th century, people began to lose faith in the movement due to the deeply ingrained stigma of mismanagement and asset theft. The tremendous agony of the losses suffered by the cooperative community made many desire nothing to do with anything that was purportedly cooperative. The purpose of the study was to analyze the effect of board risk management on the financial performance of selected SACCOS in Kiruhura District and it was supported by the following hypothesis:

Ho: Board risk management does not significantly affect the financial performance of selected SACCOS in Kiruhura District.

2. Literature Review

2.1 Theoretical Review

The Agency theory was used in this study and it proposed that corporations might be understood as a centre for a collection of contractual links between individuals, as opposed to how enterprises are considered in orthodox economics, which sees them as entities with a single product and a single objective of maximizing profit. Businesses, according to Anand et al.,

(2020), this can be seen as contracts that are continuously negotiated by many stakeholders seeking to maximize their own profit. Agency theory was essential in the 20th century for understanding corporate governance. Second, according to agency theory, managers or staff members within a company could behave in their own best interests. According to the theory, corporate managers cannot use their discretion to maximize their profits if adequate incentives or monitoring are insufficient to deter them from doing so.

2.2 Empirical Review

Corporate risk management is the cornerstone of prudence in Sacco's practice. Risk management is the cornerstone of prudence in Sacco's practice (Jamel, 2021). Risk management refers to the methods that SACCOs use to minimize its financial losses. Risk is the potential that current and future events, expected or unanticipated may have an adverse or harmful impact on the institution's capital, earnings or achievement of its objectives. Trofimova, (2020) assert that risks occurring in SACCOs can hamper SACCOs' performance if not dealt with properly. Anytime decisions are being made to increase an organization's performance and productivity, risk management must be taken into account. Because of the constantly shifting operational environment, firms have had to create effective risk control procedures to lessen the likelihood of unforeseen events. Makokha (2016) and Isanzu (2017) argue that to mitigate risks and ensure that there are no surprises from competitors or the environment, organizations must plan in light of the dynamic environment. This planning must include the implementation of risk management practices. Ruparelia and Njuguna (2018) assert that an organization's confidence, image, and reputation in the market are influenced by corporate governance concepts such as risk management. Because of contingency plans, monitoring and evaluation programs, and policies embedded in organizational processes, enhance compliance with relevant laws and regulations and improves an organization's performance in the market. These factors contribute to an organization's ability to undertake various programs and activities (Adeusi et al., 2020).

This transaction carries significant risks for the borrower as well as the lender. For example, a member's failure to fulfil their contractual obligations by the deadline or at any other time thereafter could substantially impair SACCO's capacity to carry on business. Conversely, a SACCO with a high credit risk poses a serious bankruptcy risk, jeopardizing the members' financial security. One of the hazards that SACCOs have to manage is credit risk, which worries both SACCO authorities and government regulators. This is because credit is a risk that can quickly and virtually certainly lead to the collapse of SACCOs (Bernile et al., 2018). This study determined how the Board Risk Management Committee could accomplish its goals and what it should be doing to improve SACCO's financial performance. The establishment of management plans, risk assessment, and risk mitigation through the use of managerial resources are all part of the structured approach to credit risk management. Transferring the risk to a third party, avoiding it, minimizing its adverse effects, and accepting some or all of its consequences are a few of the strategies. Prior approaches to risk management tended to concentrate on risk caused by external sources, such as accidents, natural disasters, fires, litigation, and fatalities (Berger, et al., 2016).

Decision-making policies intended to help in the reduction of exposures to credit asset classification loan loss provision are among the policies employed in credit risk management (Saeidi et al., 2021). SACCOs in particular, along with many other financial organizations, have serious concerns about this. Therefore, such financial firms should build efficient systems and procedures that are anticipated to enhance future performance visibility (Ali et al., 2019). All exposures to credit risk must be identified, measured, mitigated, monitored, and controlled (Lee, 2019). Identification of the risk is the first step in the management of the credit risk process (Muslih, 2019). Risk identification is the process of identifying potentially dangerous conditions and attempting to define them. In this procedure, intentional efforts are made to assess, evaluate, and forecast potential hazards (Ugwu et al, 2021). Identification of risk entails a more thorough analysis of both present and potential threats to the company across all business operations, including asset management (Al-Nimer et al., 2021). Managers must be aware of the risks that could have an impact on the SACCO to manage credit risks effectively. They can accomplish this by creating a suitable credit risk environment, which will help them make sure they don't overlook any risks at this point (Aduda and Obondy, 2021). The evaluation of members' creditworthiness as borrowers is a component of credit risk analysis. Planning the sources of repayment and the members' credit histories are included in this. Credit capital and analysis include the process of screening consumers to ensure that they are willing and able to return the loans within the allotted time frame (Mwanja, 2021).

Because credit risk analysis helps SACCOs with risk-based analysis and risk comparison, which is beneficial to organizations in prioritizing risk events, it fosters a deeper understanding of risk and its significance. Credit risk analysis involves determining and assessing any circumstances that could impede future credit repayments, and consequently, the borrower's ability to repay the facility. Utilizing physical standards, instruments, and staff training methods to prevent, lessen, or completely eradicate the anticipated outcomes or hazards posed by risks is known as risk control or mitigation. The last step in the risk management process is monitoring, which is creating policies that identify and disclose potential issues with credit

and other transactions so that they may be properly watched over, fixed, and provided (Ombati et al., 2023). It entails maintaining continuous communication with clients. This is intended to present the SACCO as a reliable source of information and an adept issue solution (Mulinge, 2019). According to Waitherero et al. (2021), risk identification, risk analysis, and control or minimization are the most widely used credit management indicators. Sacco should take into account the connections between credit risk and other risks (Maina et al., 2020). One essential element of efficient risk management for credit is the board committee in charge of managing risk in the Sacco carrying out its duties and obligations, which the researcher has not directly addressed here. This study examined how Sacco's credit regulation is impacted by board risk management, which could enhance the organization's financial performance. The relationship between the credit risk management strategies used by Somalian banks was investigated by Bhatt et al. in 2023. According to the study, bank managers who are risk-averse and implement strict risk policies saw improved financial performance from their branches when compared to their peers with more lenient risk policies. According to Adeabah et al. (2023), managing operational risks is becoming more and more important on a worldwide scale, and they are not just a problem for financial institutions. Financial institutions all around the world are creating risk management systems, and the majority of them are aiming for efficiency in risk allocation and management. Finding the risk that a financial institution is likely to encounter during operations is the main goal of operational risk management, according to Lélé and Koeplin (2023). Curti and Migueis (2023) state that putting money aside for unforeseen and possible losses is one method of reducing these risks. Operational risk is one of the issues facing the banking industry today, even if it doesn't get much attention. The danger associated with credit is what worries most banks. The focus of operation risk management is on the sources of quickly manageable and countable risks. The key question that SACCO managers should ask themselves is, how best they can handle operational risks in the future and how best they can recognize them early enough.

Several academics have asserted a connection between financial success, operational risk management, and company governance. For instance, saving and credit cooperative societies in Uganda should make sure that sound operational risk management is implemented and carried out by helping to implement SACCO managers overcome a lack of knowledge through training and staff advocacy for risk management. Significant effects on financial performance are also caused by the division of labour, assurance, approval, and permission of internal audit and transaction functions in Sacco's. Ngari (2017) discovered that internal procedures play a crucial role in assessing an organization's success when it comes to evaluating the financial performance of Sacco. Patience, K. et al. (2022) agree. The effect of financial risk on the financial performance of the listed commercial and investment banks in Bahrain Bourse was examined by Ali et al. in 2020. From 2014 to 2018, 11 out of Bahrain's 18 banks were included in the survey. Data was gathered from the Bahrain Stock Exchange Database based on what was available. As an alternative, bank performance and risk measurements were measured using the most used statistic, ROA. There have been four types of financial risk used: operating, liquidity, capital, and exchange risk. The results of regression analysis show that the association between operating risk, liquidity risk, exchange rate risk, and bank performance is negligible.

3. Methodology

3.1. Research Design

A planned structure for data collection and analysis is known as a study design (Creswell et al., 2017; Agaba *et al*., 2023). It's a comprehensive strategy outlining the methods and procedures for gathering and evaluating data (Cash, 2016). A cross-sectional survey research design using both quantitative and qualitative methods was used in this study. The quantitative strategy sought to quantify and establish the relationships, while the qualitative technique gave the researcher thorough explanations of the elements influencing the financial performance of Sacco's in Kiruhura District. Given that this investigation examines the performance of multiple Sacco's at a certain moment in time, the design seemed acceptable. By employing this research methodology, the researcher was able to provide data that could be used to describe or profile the study's subject. The quantitative strategy sought to quantify and establish the relationships, while the qualitative technique helped the researcher acquire thorough explanations of the impact of corporate governance on financial performance in Kiruhura District. The kind and volume of data collection methods, sample plans, and funding allocation were all impacted by the selection of an acceptable research design (Bloomfield and Fisher, 2019, Turyahebwa *et, al*, 2022). Using the research design recommendations offered by DePoy *et al.* (2019), the study aimed to examine the hypotheses derived from the conceptual model. It was simple to understand the structural connections between the observed variables and their latent counterparts since hypothesis testing typically clarified the nature of specific interactions between variables. To explain the variables related to the research objectives and investigate the observable relationships between the primary determinants of corporate governance and a set of manifest variables that demonstrate financial performance, causal studies, also known as field studies, were preferred over correlational studies. This study was conducted in an unforeseen environment, similar to many others that use the regression method of assessment. The study's survey-based data collection strategy eliminated the

requirement for researcher involvement. A single member of a sample Sacco in the Kiruhura District serves as the unit of analysis, as also made evident by the research's goals and objectives. The research design employed in this study was a cross-sectional survey because structural equation modelling (SEM) necessitates a sizable number of respondents, and data can be gathered once and over a predetermined length of time.

3.2. Study population

The total set of cases from which the sample is taken and from which the researcher intends to derive general conclusions is referred to as the study population (Saunders *et al*., 2016). As of the district commercial officer report for Kiruhura District (2021), there are ten Sacco's in the district; however, this study focused on the six Sacco's that are currently active and registered, namely Kashongi Sacco, Kitura Sacco, Rushere Sacco, North Ankole Platinum Sacco, Kiruhura Epicenter Sacco, and Rwanyangwe Sacco. The target population, which totalled 342, was made up of employees and members of the six Sacco's in the Kiruhura district, specifically shareholders, board members, supervisory committees, advisory committees, managers, loan officers, internal auditors, accountants, and banking officers. All these categories of people who were involved in the study are important stakeholders in the Sacco operations.

3.3. Sample Size

Three hundred forty-two (N = 342) individuals in total were taken into consideration for the research. The sample size was ascertained using the Tora Yamane (1967) formula.

$$n = \frac{N}{1+N(\varepsilon^2)}$$

Where n denotes the sample size, N is the total population, and ε is the precision level (margin of error). A total population of 342 people were used at a confidence level of 95% or error of 0.05 and the sample size being; = 342/ 1 + 342(0.05)^2 =184

Therefore, out of the total population of 342, 184 respondents were sampled.

Table 1: Sample Size Determination

Respondent	Target population	Sample Size	Sampling Techniques
Shareholders	216	113	Simple random sampling
Board Members	54	31	Purposive sampling
Supervisory Committee	18	10	Purposive sampling
Advisory Committee	18	10	Purposive sampling
Managers	6	3	Purposive sampling
Loans Officers	6	3	Purposive sampling
Internal Auditors	6	3	Purposive sampling
Accountants	6	3	Purposive sampling
Banking Officers	12	8	Purposive sampling
Total	342	184	Purposive sampling

Source: Primary data 2022

Sampling is the selection of a portion of the aggregate or totality based on which a conclusion or judgment about the aggregate or totality is drawn. Board members, Supervisory committee, Advisory committee, Managers, Loans officers, Internal auditors, Accountants, and Banking officers were selected purposively. The researcher employed purposive sampling since it enables to use of subjects who are knowledgeable about the study's objectives. Securing a representative group is the goal of sampling, which enables the researcher to collect the essential information for the study. In this study, the shareholders were selected by simple random sampling. Simple random sampling was employed because it offers all participants an equal chance of being chosen, provides a population representative without bias, and facilitates the creation of generalizations about the sample even when not all participants share the trait being studied.

3.4 Data Quality Control

3.4.1 Reliability Analysis

The Cronbach's Alpha was used to assess the constructs' reliability. With scores for government policies (GoP) and board accountability (BoA) ranging from 0.743 to .798 respectively, the results indicate that the constructs had satisfactory

dependability. This indicates that each construct included in the suggested model's elements has a positive correlation with each other (Hair *et al*., 2010; Agaba & Turyasingura, 2022).

Table 2: Cronbach's Alpha for The Studied Constructs

Construct	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
Board Risk Management	.762	.780	5
Financial Performance	.765	.765	4

The measurement known as Cronbach's alpha (α) is employed to ascertain the internal consistency of an assessment tool. According to Raharjanti et al. (2022), and Agaba and Turyasingura (2022), a Cronbach's alpha value of 0.6 to 0.8 is considered appropriate. The latent constructs in this study had an overall internal consistency of 0.767 and Cronbach's alpha scores above 0.6 (0.743–0.798).

3.4.2 Pilot Study Results

The questionnaire needed to be pilot-tested before it could be used in this study to determine its validity and reliability and to make any necessary changes to the questions, structure, and scales (Malmqvist et al., 2019). Pilot research was conducted in the Mbarara District with a limited number of selected Saccos before the actual questionnaires were distributed in the Kiruhura district. The principal objectives of the pilot study were to confirm the readability, clarity, and directness of the questionnaire items and to ascertain whether the collected data offered face validity and addressed the research topics (Gani et al., 2020). The information was then reviewed by the researcher to find any flaws or potential risks in the questionnaire items, allowing decisions to be made over which ones should be added, kept, or even eliminated. A convenience sample of twenty-five respondents from each of the four Sacco's in the Mbarara District were given the questionnaires over a period of approximately two weeks. which means that 23 were returned, representing a high percentage of answers (92%). In terms of age, gender, and other variables, the 21 valid and full surveys matched the average planned sample. In response to suggestions from respondents and the results of an initial statistical analysis, the researcher modified and removed some of the questions.

3.5. Data Analysis

As part of data analysis, all of the acquired data was inspected, cleansed, converted, and modelled to find pertinent information and draw conclusions that would help with decision-making (Berman, 2017). There were two stages of analysis for the data that was collected for this investigation. Using SPSS version 20.0, the initial data analysis and descriptive statistics on the respondents were carried out. The multicollinearity, mean, standard deviation, outliers, extreme values, and missing values were among the statistics included in this set. In the second stage, structural equation modelling was used to evaluate and analyze the structural relationships between the variables in the proposed conceptual model. SEM was implemented using version 0.17.2.0 of Jaffrey's Amazing Statistical Program (JASP).

4. Results

4.1. Descriptive Statistics

The frequencies, percentages, means, standard deviations, and bivariate correlations between the variables are presented in this section to characterize participant characteristics concerning their involvement in the operation of the Sacco's and/or participation in it. JASP 0.17.20 was the program used to perform the calculations for the descriptive statistics.

Table 3: Showing Participants by Age and Gender

Gender		Frequency	Per cent
Male	21-29	31	26.1
	30-39	45	37.8
	40-49	24	20.2
	50-59	19	16.0
	Total	119	100.0
Female	21-29	17	26.2
	30-39	33	50.8
	40-49	11	16.9
	50-59	3	4.6
	60 and above	1	1.5
	Total	65	100.0

The frequency and percentages of the participants' age by gender are presented in Table 3. As seen in the table, the survey contained more male participants than females. However, for both males and females, the age group 30-39 had more participants as compared to other age categories with 45 (37.8%, n = 119) and 33 (50.8%, n = 65) males and females respectively.

Table 4: Showing Qualification by Gender

Gender		Frequency	Per cent
Male	Certificate	37	31.1
	Diploma	34	28.6
	Bachelor	44	37.0
	Masters	4	3.4
	Total	119	100.0
Female	Certificate	15	23.1
	Diploma	15	23.1
	Bachelor	32	49.2
	Masters	3	4.6
	Total	65	100.0

The frequency and percentages of the participants' education level by gender are presented in Table 4. As seen in Table 4, both male and female respondents were of bachelor's level 44 (37%, n = 119) and 32 (49.2%, n = 65).

Table 5: Showing Participants' Work Experience by Gender

Gender		Frequency	Per cent
Male	Below 1 year	20	16.8
	2-5 years	45	37.8
	6-10 years	25	21.0
	11-15 years	29	24.4
	Total	119	100.0
Female	Below 1 year	8	12.3
	2-5 years	28	43.1
	6-10 years	20	30.8
	11-15 years	8	12.3
	15 years and above	1	1.5
	Total	65	100.0

The frequency and percentages of the participants' work experience by gender are presented in Table 5. As seen in the table, the majority of the participants from either gender had worked between 2-5 years with 45 (37.8%, n = 119) for males and 28 (43.1%, n = 65) for females.

4.2. Confirmatory factor analysis

In compliance with Schreiber's (2021) guidelines, a confirmatory factor analysis (CFA) was also performed using JASP 0.17.20. All latent variables, or constructs, are allowed to co-vary in the CFA while the measurement model is evaluated, defining the links between the manifest and latent variables (Figure 1).

Figure 1: Measurement model for board risk management (BRM)

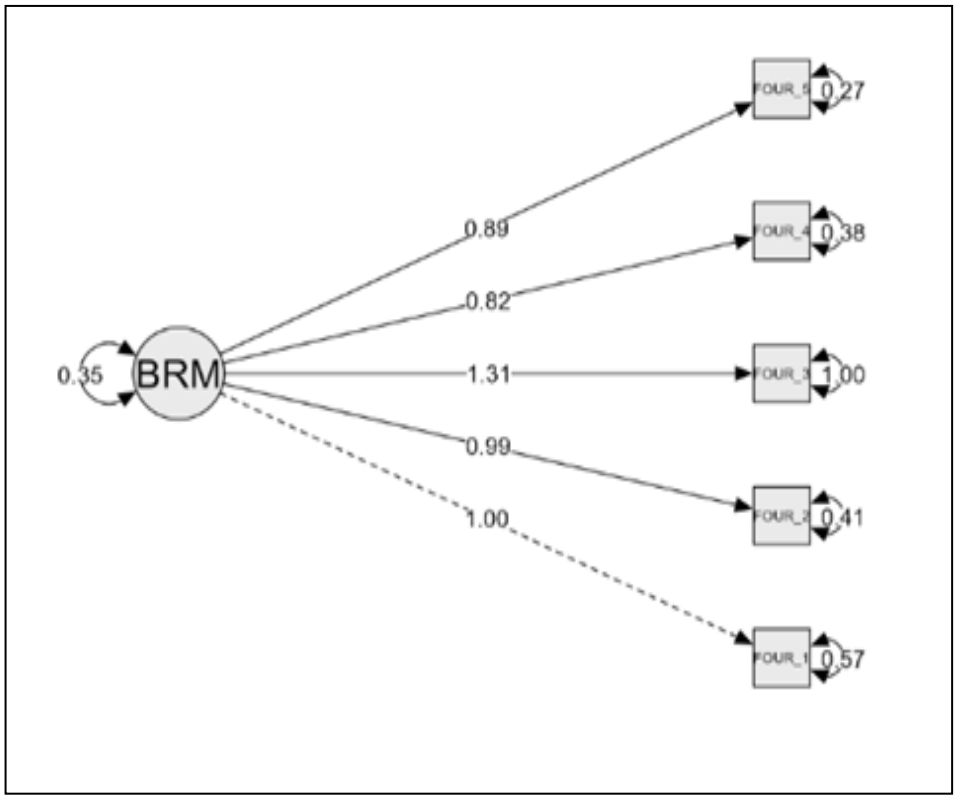

Table 6: Factor Loadings from the confirmatory Factor Analysis: Board Risk Management (BRM)

						95% Confidence Interval		Standardized		
Latent	**Indicator**	**Estimate**	**Std. Error**	**z-value**	**p**	**Lower**	**Upper**	**All**	**LV**	**Endo**
BRM	FOUR_1	1.000	0.000			1.000	1.000	0.614	0.588	0.614
	FOUR_2	0.994	0.149	6.691	< .001	0.703	1.286	0.675	0.585	0.675
	FOUR_3	1.305	0.209	6.252	< .001	0.896	1.714	0.608	0.767	0.608
	FOUR_4	0.816	0.130	6.294	< .001	0.562	1.070	0.614	0.480	0.614
	FOUR_5	0.895	0.130	6.894	< .001	0.640	1.149	0.714	0.526	0.714

Model fit indices

Root Mean Square Error of Approximation (RMSEA) = 0.045
Comparative Fit Index (CFI) = 0.990
Standardized RMR = 0.026
Goodness of Fit Index (GFI) = 0.999
The model Chi-squared ($?^2$) = 7.253 ($p > 0.05$)

Analysis of the CFA's fit indices reveals that the suggested measurement model of board risk management is suitable for use as input in further structural equation modelling investigations.

Figure 2: Measurement model for financial performance (FiP)

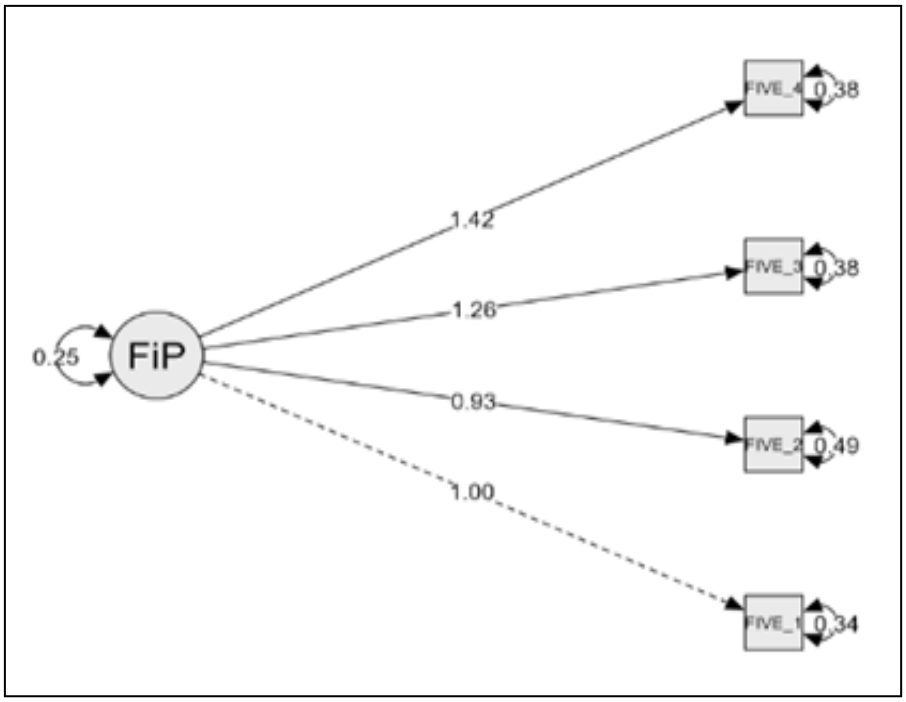

Table 7. Factor Loadings from the confirmatory Factor Analysis: Financial Performance (FiP)

						95% Confidence Interval		Standardized		
Latent	**Indicator**	**Estimate**	**Std. Error**	**z-value**	**p**	**Lower**	**Upper**	**All**	**LV**	**Endo**
FiP	FIVE_1	1.000	0.000			1.000	1.000	0.652	0.504	0.652
	FIVE_2	0.935	0.155	6.043	< .001	0.632	1.238	0.557	0.471	0.557
	FIVE_3	1.261	0.176	7.171	< .001	0.916	1.605	0.716	0.635	0.716
	FIVE_4	1.423	0.195	7.292	< .001	1.040	1.805	0.757	0.717	0.757

Model fit indices

Root Mean Square Error of Approximation (RMSEA) = 0.103
Comparative Fit Index (CFI) = 0.978
Standardized RMR = 0.025
Goodness of Fit Index (GFI) = 0.999
The model Chi-squared ($?^2$) = 5.868 ($p > 0.05$)

Analysis of the CFA's fit indices reveals that the suggested measurement model of financial performance is suitable (see the section on model fit indices) for use as input in further structural equation modelling investigations.

Table 8: The summary of results for the Direct Hypotheses of the latent variables (n = 184)

H#	**Proposed relationship**	**Effects type**	**Path Coefficient**	**Study result**
H_0:	BRM → FiP	Direct effect	1.322**	Supported

**Significant at p < 0.05

Board risk management (BRM) (γ=1.322**) was found to have a significant positive influence on the financial management of savings and credit co-operative societies (Sacco's) in Uganda

5. Discussion

Board risk management, or BRM, was found to be a major predictor of SACCOs' financial performance based on a few corporate governance criteria. The estimate (1.322) on BRM illustrates how SACCO's financial performance is impacted by board risk management as a gauge of corporate governance. This usually means "adjusting for" or "controlling for" the additional explanatory factors. According to the optimistic estimate (1.322) for BRM, for every unit increase in BRM, SACCO's financial performances increase by 1.322 units/levels. All things considered, this indicates that SACCOs, as an organization, stand to gain monetarily from more stringent regulations about board risk management. Put differently, SACCOs that generated paperwork that compiled all pertinent information about the risks associated with the Board's Strategic Objectives in one location were more likely to be profitable. Above and above the previously put forward hypotheses, it was shown that board risk management had a considerable beneficial direct impact on the financial performance of the SACCO. This demonstrates that the BRM variable had a higher influence on the financial performance forecast of SACCOs than did the BoA and BAC variables. The positive direction of the effect indicated that SACCOs would gain financial advantages or outperform in terms of financial performance if they tightened up the processes, they employed to evaluate their risk profile and the measures they implemented to reduce any identified hazards. The outcome was consistent with the Maliks Model. This result was also in line with Syrová & Špička's study from 2023, which found a direct impact of enterprise risk management that was statistically significant. Maliks' Model states that enterprise risk management has a major role in a company's financial performance (Malik et al., 2020; Mutamimah et al., 2022). This, however, contradicts a study by Gweyi (2018), who looked into how Kenyan DT-SACCOs' financial performance might be impacted by interest rates, credit, liquidity, and operational risk. The results indicated that there was a statistically significant negative interaction between the financial performance attributed to the studied DT-SACCOs and operational risk. The aforementioned point of view is supported by the research done by Kioko et al. (2019), which discovered that operational risk had a statistically significant and detrimental effect on the banks that were the subject of the study. The study by Ali et al. (2020) and Tassew and Hailu (2019), which also came to the same conclusion, supports this finding. The financial performance of Kenyan commercial banks was shown to be statistically insignificantly correlated with liquidity risk, according to Njiru's (2020) analysis of the effects of credit risk, operating risk, and liquidity risk on the financial performance of Kenyan commercial banking institutions.

6. Conclusions and Recommendations

6.1 Conclusion

In the context of local community settings, corporate governance is measured by board risk management and is a precursor to Sacco's' financial performance. Despite earlier suggestions that it may be significant, this variable has not been included in empirical research on SACCO's financial performance in resource-constrained environments. According to the findings, the financial performance of Sacco's increased by 1.322 units or levels for every unit increase in BRM, according to the optimistic estimate (1.322) for BRM. In summary, as an organization, Sacco stands to gain financially from more stringent regulations about board risk management. The study findings suggest that the BRM variable contributed more to the financial performance prediction of Sacco's than the BoA and BAC variables did. The positive effect's direction demonstrated in the study findings leads us to conclude that Sacco's would experience greater financial gains or better financial performance if they were more stringent about the processes, they followed to review their risk profile and the policies they put in place to avoid the risks that were identified.

6.2 Study Limitations

First of all, the participants in the sample frame came from a single district in Uganda and were selected using a largely purposive and convenience sampling technique. This sampling technique limits the capacity to extrapolate the findings to all Sacco's in Uganda, even though the majority of the corporate governance variables evaluated are by Syrová and Špička (2023) findings and the sample characteristics fit the criteria for the target population.

6.3 Recommendations

We recommend that SACCO risk management committees of the board be very effective in influencing the corporate risk management practices adopted within Sacco and should be stricter about the processes they follow to review their risks and the policies they put in place to avoid the risks that were identified in the study, given the positive effect's direction demonstrated in the study's findings. A significant contribution of this work is to demonstrate the relevance of corporate governance, measured by board risk management as an antecedent to Sacco's financial performance within the context of local community settings. This variable has previously been suggested as potentially important but had not been included in empirical work on accessing the financial performance of Saccos in resource-limited settings. In order to determine how the findings might vary from the current research, future research may duplicate the study using one or more different conceptions that measure

corporate governance from a different instructional perspective.

Conflicts of Interest

"The authors declare no conflicts of interest."

References

[1] [1] Abdulrahman A. A (2016), Employee Participation in Decision-making (PDM) and Firm Performance, International Business Research Published by Canadian Center of Science and Education.

[2] Adeabah, D., Gyeke-Dako, A., & Andoh, C. (2019). Board gender diversity, corporate governance and bank efficiency in Ghana: A two-stage data envelope analysis (DEA) approach. Corporate Governance (Bingley), 19(2), 299–320.

[3] Adeusi, S. O., Akeke, N. I., Adebisi, O. S., & Oladunjoye, O. (2020). Risk Management and Financial Performance of Banks in Nigeria. European Journal of Business and Management, 6(31), 336-342.

[4] Aduda, J., & Obondy, S. (2021). Credit risk management and efficiency of savings and credit cooperative societies: A review of the literature. Journal of Applied Finance and Banking, 11(1), 99-120.

[5] Agaba. M., Turyasingura John Bosco, & Kabagambe Jesse David. (2023). Strategic Management and Organizational Performance: A Case Of Lyamujungu Sacco, Kabale District, Uganda. International Journal of Islamic Business and Management Review, 3(1), 50–60. https://doi.org/10.54099/ijibmr.v3i1.625

[6] Agaba M, &Turyasingura J. B. (2022) Participatory Project Implementation and Sustainability of Government Funded Projects a Case study of Parish Development Model in Kabale District, Uganda. International Journal of Current Science Research and Review, 6(1), 620-63.

[7] Ali, M. M., Hamid, N. S. A., & Ghani, E. K. (2019). Examining the relationship between enterprise risk management and firm performance in Malaysia. International Journal of Financial Research, 10(3), 239-251.

[8] Agaba M &Turyasingura J. B (2022) An Assessment of the Accounting Techniques on Business Performance in Selected Commercial Banks in Kabale Municipality, Uganda; International Journal of Academic Accounting, Finance &Management Research (IJAAFMR) ISSN: 2643-976X Vol. 6 Issue 9, Pages: 28-37

[9] Al-Nimer, M., Abbadi, S. S., Al-Omush, A., & Ahmad, H. (2021). Risk management practices and firm performance with a mediating role of business model innovation. observations from Jordan. Journal of Risk and Financial Management, 14(3), 113.

[10] Ali, B. J., & Oudat, M. S. (2020). Financial risk and the financial performance in listed commercial and investment banks in Bahrain bourse. International Journal of Innovation, Creativity and Change, 13(12), 160-180.

[11] Alsayegh, M. F., Abdul Rahman, R., & Homayoun, S. (2020). Corporate economic, environmental, and social sustainability performance transformation through ESG disclosure. Sustainability, 12(9), 3910.

[12] Alshehhi, A., Nobanee, H. and Khare, N. (2018), "The impact of sustainability practices on corporate financial performance: literature trends and future research potential", Sustainability, Vol. 10 pp. 494-519, available at: https://doi:10.3390/su10020494

[13] Arayssi, M., & Jizi, M. I. (2018). Does corporate governance spill over firm performance? A study of valuation of MENA companies. Social Responsibility Journal, 15(5), 597-620.

[14] Berger, A. N., Imbierowicz, B., & Rauch, C. (2016). The roles of corporate governance in bank failures during the recent financial crisis. Journal of Money, Credit and Banking, 48(4), 729-770.

[15] Bernile, G., Bhagwat, V., & Yonker, S. (2018). Board diversity, firm risk, and corporate policies. Journal of financial economics, 127(3), 588-612.

[16] Bhatt, T. K., Ahmed, N., Iqbal, M. B., & Ullah, M. (2023). Examining the determinants of credit risk management and their relationship with the performance of commercial banks in Nepal. Journal of risk and financial management, 16(4), 235.

[17] Creswell J. W. and Creswell J. D., (2017), Research design: Qualitative, quantitative, and mixed methods approaches. Sage publications

[18] Curti, F., & Migueis, M. (2023). The information value of past losses in operational risk. Journal of Operational Risk, 18(2).

[19] Ene, E.E & Bello, A.I.E (2016). The effect of corporate governance on banks' financial performance in Nigeria. IOSR Journal of Business and Management, 18(11), 99-107

[20] Esokomi, E., & Mutua, M. (2018). Determinants of financial performance among savings and credit co-operative societies in

Kakamega County Kenya. International Journal of Finance and Accounting, 3(1), 1-19.

[21] Gweyi, M. O. (2018). Influence of Financial Risk on Financial Performance of Deposit-Taking Savings and Credit Cooperative Societies in Kenya.

[22] Iqbal, K. (2016). The impact of corporate governance on financial performance of the pharmaceutical industry in Pakistan, Abasyn Journal of Social Science, 9(1), 166-175

[23] Isanzu, J. S. (2017). The impact of credit risk on the financial performance of Chinese banks. Journal of International Business Research and Marketing, 2(3), 14-17. http://dx.doi.org/10.18775/jibrm.1849- 8558.2015.23.3002

[24] Jamel, L., Albogami, H. E., Abdulaal, M. A., & Aljohani, N. A. (2021). Do agency conflicts between managers and shareholders affect the corporate risk management and financial performance of Saudi firms? Journal of Investment Compliance, 22(1), 58-73.

[25] Jamel, L., Albogami, H. E., Abdulaal, M. A., & Aljohani, N. A. (2021). Do agency conflicts between managers and shareholders affect the corporate risk management and financial performance of Saudi firms? Journal of Investment Compliance, 22(1), 58-73.

[26] Koeplin, J. P., & Lélé, P. (2023). Human capital management accounting issues for SOX compliance with Basel III final framework operational risk standards. Journal of Corporate Accounting & Finance, 34(1), 9-20.

[27] Kioko, C. M., Olweny, T., & Ochieng, L. (2019). Effect of Financial Risk on Financial Performance of Commercial Banks Listed on the Nairobi Stock Exchange. The Strategic Journal of Business and Change Management, 6(2), 1936-1952.

[28] Maina, J. N., Kiai, R. M., & Kyalo, T. N. (2020). Credit Management Practice, SACCO Size and Financial Sustainability of Deposit Taking Saving and Credit Co-Operatives in Kenya.

[29] Makokha, A., Namusonge, G. & Sakwa, M. (2016). Effect of risk management practices on financial performance in Kenya commercial banks. Research Journal of Finance & Accounting, vol. 7 (16), 222 – 226.

[30] Malik, M. F., Zaman, M., & Buckby, S. (2020). Enterprise risk management and firm performance: Role of the risk committee. Journal of Contemporary Accounting & Economics, 16(1), 100178.

[31] Muhanguzi, Kibs Boaz. (2019). An Empirical Test of the Agency Theory in Corporate Governance of SACCOs in Uganda. http://dx.doi.org/10.2139/ssrn.3454396

[32] Muhunga Kule, B. J., Kamukama, N., & Kijjambu, N. F. (2020). Control environment and Financial Performance of savings and credit cooperatives (SACCOS) in mid-Western Uganda.

[33] Muslih, M. (2019). The benefit of enterprise risk management (ERM) on firm performance. Indonesian Management and Accounting Research, 17(2), 168-185.

[34] Mutamimah, M., Zaenudin, Z., & Bin Mislan Cokrohadisumarto, W. (2022). Risk management practices of Islamic microfinance institutions to improve their financial performance and sustainability: a study on Baitut Tamwil Muhammadiyah, Indonesia. Qualitative Research in Financial Markets, 14(5), 679-696.

[35] Mutua, R. K. (2016). Impact of credit risk management on the financial performance of savings and credit cooperative societies in Kitui County

[36] Mwakajumilo, S. L. I. (2016). The Role of Informal Microfinance Institutions in Saving Mobilization, Investment and Poverty Reduction. A Case of Savings and Credit Cooperative Societies (Saccos) In Tanzania from 1961-2008. Unpublished Doctoral Thesis, St Clements University, Turks and Caicos Islands of British West

[37] Mwanja, S. K. (2021). Effect of operational and market risk exposures on the financial performance of DT-Saccos in Kenya. International Journal of Research in Business and Social Science (2147-4478), 10(5), 107-118.

[38] Njiru, N. G. (2020). Effect of Financial Risk on Financial Performance of Commercial Banks in Kenya (Doctoral dissertation, University of Nairobi)

[39] Ombati, J. O., Kamau, R., & Thuranira, C. (2023). Financial Risks and Financial Performance of Deposit-Taking Saccos in Mt. Kenya Region, Kenya. International Journal of Small Business and Entrepreneurship Research, 11(3), 47-70.

[40] Patience, K., Moses, A., Bosco, T. J., & David, K. J. (2023). The impact of internal controls on SACCO performance in Rukiga, Uganda. Annals of Management and Organization Research,3(4),289–303. https://doi.org/10.35912/amor.v3i4.1453

[41] Ruparelia, R., & Njuguna, A. (2016). The evolution of corporate governance and consequent domestication in Kenya. International Journal of Business & Social Science, Vol. 7 (5), 153-163.

[42] Rwakihembo, J., Kamukama, N., & Nsambu Kijjambu, F. (2020). Corporate board size and financial performance of private limited companies in Uganda.

[43] Saeidi, P., Saeidi, S. P., Gutierrez, L., Streimikiene, D., Alrasheedi, M., Saeidi, S. P., & Mardani, A. (2021). The influence of enterprise risk management on firm performance with the moderating effect of intellectual capital dimensions. Economic Research-Ekonomska Istraživanja, 34(1), 122-151.

[44] Syrová, L., & Špička, J. (2023). Exploring the indirect links between enterprise risk management and the financial performance of SMEs. Risk Management, 25(1), 1.

[45] Tassew, A. W., & Hailu, A. A. (2019). The effect of risk management on the financial performance of commercial banks in Ethiopia. Financial Studies, 23(1 (83)), 25-38.

[46] Trofimova, N. N. (2020). Current trends in corporate risk management in the system for ensuring the economic sustainability of industrial enterprises. Upravlenie/Management (Russia), 8(2), 30-38.

[47] Turyasingura J.B, Agaba .M, Orach-Meza FL & Regis Zombeire R. (2021), Project Design Implementation and Sustainability of Donor Funded Potato Projects in Kabale District South Western Uganda. Special Journal of Politics and Economic Sustainability 2021, 2(1): 1-13

[48] Turyahebwa A, Agaba M, Sunday, A., Byamukama E.M and Kalembe.S. (2022), Leadership styles, talent management and employee performance in the hotel industry in Uganda; Kabale University Interdisciplinary Research Journal (KURJ), ISSN 2790-1394, Vol 1. Issue 2, pp. 49 – 66, pp.

[49] Ugwu, I. V., Ekwochi, E. A., & Ogbu, C. G. (2021). A critical study of corporate risk management committee impact on firm performance. International Journal of Academic Information Systems Research (IJAISR), 5(4), 24-39.

[50] Waitherero, K. F., Muchina, S., & Macharia, S. (2021). The role of liquidity risk in augmenting firm value: lessons from savings and credit cooperatives in Kenya. International Journal of Financial, Accounting, and Management, 2(4), 295-304.