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Institutional pressures and risk governance: evidence from Uganda's financial institutions

JohnBosco Kakooza and Vicent Bagire
Department of Business Administration, Makerere University Business School, Kampala, Uganda
Ernest Abaho
Department of Entrepreneurship, Makerere University Business School, Kampala, Uganda
John Munene
Department of Human Resource, Makerere University Business School, Kampala, Uganda
Sulait Tumwine
Department of Accounting, Makerere University Business School, Kampala, Uganda, and
Rogers Mwesigwa
Department of Business Administration, Makerere University Business School, Kampala, Uganda

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Abstract

Purpose – The purpose of this paper is twofold: first, to examine the impact of institutional pressures on risk governance, and second, to examine the contribution of the specific elements of institutional pressures on risk governance in financial institutions (FIs) in Uganda.

Design/methodology/approach – The study adopted a cross-sectional design where data were collected through a questionnaire survey of 112 FIs. The data were analyzed using the Statistical Package for Social Scientists (SPSS).

Findings – The results indicate that institutional pressures are significantly associated with risk governance. The study also found that coercive pressures and normative pressures have a positive and significant effect on risk governance, while mimetic pressures do not have a significant effect.

Originality/value – This study offers initial evidence on the association between institutional pressures and risk governance using evidence from Uganda's FIs. The results also show the impact of the individual elements of institutional pressure on risk governance in FIs. The study also further adds theoretical foundations to the risk governance literature.

Keywords Financial institutions, Institutional pressures, Risk governance, Institutional theory

Paper type Research paper

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1. Introduction

Risk governance is important to all financial institutions (FIs) in both the developed and developing economies (Beasley *et al.*, 2008; Bromiley *et al.*, 2015). It brings about transparency through ensuring adherence to available risk regulations and improving the quality of risk information. In addition, risk governance provides the structure, specifies responsibilities, authority and accountability in the risk management system (Lundqvist, 2015; Karyani *et al.*, 2020). Lundqvist (2015) described risk governance (RGOV) as the direction and control of the risk management system. Risk governance is a corporate governance role that seeks to ensure optimal decision-making in the risk management processes and structures (IRGC, 2008; IFC, 2012). According to the World Bank (2014), risk governance in FIs in developing economies is still poor despite the establishment of regulatory entities and FIs being highly regulated. In addition, the World Bank (2014) report revealed that a number of audit reports show that the financial statements of savings and credit cooperative societies (SACCOs) in Uganda did not disclose all the information as required by the law. However, it is commonly argued that implementation of risk governance is primarily motivated by the countries' institutional settings, along with their economic, political and social regulatory frameworks (IRGC Report, 2005; van Asselt and Renn, 2011; Renn and Schweizer, 2009). Thus, the question is whether institutional pressures significantly influence risk governance in FIs in Uganda.

Despite FIs belonging to one of the highly well-regulated sectors of every economy, they continue to battle with numerous threats, more so in the developing economies like Uganda (Haque, 2019; Mangala and Soni, 2023; Munir and Baird, 2016). Okpara (2011), cited ineffective boards, lack of qualified board members, weak or nonexistent law enforcement mechanisms, ignorance on the part of stakeholders, corruption and weak regulatory framework are among the barriers hampering the development and promotion of good corporate governance of FIs in developing countries. The existing empirical studies are yet to support the nurturing of effective risk governance in emerging economies. The existing dearth of research about risk governance is focusing on the antecedents and characteristics of risk governance, majorly in the context of commercial banks and it over concentrates on the developed economies and middle east not sub-Saharan Africa (Nahar *et al.*, 2016, 2020; Lundqvist, 2015; Jallai and Zoghlami, 2022). Existing literature indicates that risk governance studies in developing countries are still limited, scholars of risk governance and risk management have thus continued to call for further studies that use a broad range of theories to study the concept, with more emphasis on the context of developing economies (Mangala and Soni, 2023; Nahar *et al.*, 2016). Subsequently, this paper is premised on the institutional theory, which assumes that firms constantly aim to maintain and increase legitimacy through complying with institutional pressures as an approach for mitigating risks. Therefore, this paper contributes to the risk governance research by responding to the calls by (Mangala and Soni, 2023; Nahar *et al.*, 2016), who called for further studies on the contribution of regulations to the governance of FIs.

The authors also note that prior studies on institutional pressures have linked them to voluntary disclosures (Nyahas *et al.*, 2017), adoption of international financial reporting standards (Nurunnabi, 2017), auditing environmental matters (Chiang, 2010), sustainability reporting (Amoako *et al.*, 2017) and tax compliance (Musimenta *et al.*, 2017). Therefore, we argue that it is quite timely to examine the role of institutional pressures and their individual dimensions in risk governance in the context of Uganda's FIs. Thus, the attempt to fill the above gaps is the motivation of this study. To our knowledge, no prior study has examined the relationship between institutional pressures and risk governance using evidence from sub-Saharan countries like Uganda. Secondly, we also examine whether the individual dimensions of institutional pressures as used in this study matter in risk governance in FIs. To achieve our aim, a quantitative survey of 112 FIs operating in Uganda, whose risk managers formed the unit enquiry, was used to gather evidence from the respondents. The findings show that institutional pressures and risk governance are positively and significantly associated. The

results also show that of the individual dimensions of institutional pressures, only coercive pressures and normative pressures were significant, unlike imitation pressures. Our study's findings contribute to the risk governance literature (Nahar *et al.*, 2016, 2020; Lundqvist, 2015; Jallai and Zoghlami, 2022) by providing initial empirical evidence that institutional pressure is positively and significantly associated with risk governance using evidence from Uganda's FIs.

The remainder of the paper is organized as follows: The next section reviews the theoretical foundation, literature and hypothesis development. This is followed by the methodology used to generate the study results. The penultimate section is the results and discussion. The last section is the conclusion, limitations of the study and areas for further research.

2. Literature review and hypothesis development

2.1 Theoretical foundation

The study used the institutional theory (DiMaggio and Powell, 1983) to examine the relationship between institutional pressures and risk governance using Uganda's FIs. This theory assumes that firms constantly aim to maintain and increase legitimacy through complying with pressures that arise from their institutional environment (Mizruchi and Fein, 1999). We choose the institutional theory because FIs operate in an uncertain world, yet institutions exist to reduce uncertainties by guiding human interactions. This creates a stable environment that leads to the most efficient choice of alternatives. This theory anchors our argument for the influence institutional pressures have on the decision-making process and the structures of FIs (Mongiardino and Plath, 2010; Nwabueze and Mileski, 2008) and FIs which deviate from these norms are penalized depending on the severity of the deviations.

According to DiMaggio and Powell (1983), institutional pressures occur through three mechanisms (mimetic, normative and coercive pressures), and these are relevant in explaining risk governance in operations of FIs. Mimetic pressures are demands that make firms manage uncertainties arising from their environment following the steps of early adopters or most profiable from the same sector (Nyahas *et al.*, 2017; Qu *et al.*, 2012). According to DiMaggio and Powell (1983) and North (1991), coercive pressures stem from formal institutions of regulations or laws but can also be informal expectations on organizations. These include the technical standards imposed by a superior body in the form of a parent–subsidiary relationship put in place to regulate risk taking (Wijethilake *et al.*, 2017; Bagire *et al.*, 2023). Normative pressures consist of social pressures and norms that organizations' members conform to as definite conditions and methods of work (Bananuka *et al.*, 2019). Consequently, institutional pressures guide and shape the formal and informal behaviors of FIs, thus enabling effective risk governance.

2.2 Hypothesis development

2.2.1 Institutional pressures and risk governance. Institutional theory suggests that norms of society must be followed for FIs to obtain legitimacy and resources (DiMaggio and Powell, 1983; Nwabueze and Mileski, 2008). This is achieved through the corporate decision-making process and the structures of the firm (Ozili, 2023). Empirically, Bagire *et al.* (2023) investigated the relationship between institutional pressures and sustainable energy orientation in higher educational institutions in Uganda. They concluded that institutional pressures have a positive and significant influence on sustainable energy orientation. In addition, Nurunnabi (2017) assessed the impact of institutional isomorphism on the implementation of International Financial Reporting Standards (IFRS). They found that institutional pressures positively influence implementation of IFRS. Another study (Musimenta *et al.*, 2017) examined the impact of isomorphic pressures on tax compliance among SMEs in Uganda. Their findings revealed that institutional pressures significantly influenced the way small and medium-sized enterprises (SME) taxpayers comply with

payment of taxes. In another study, Bananuka (2020) analyzed the impact of institutional pressures on Internet Financial Reporting (IFR) among financial services firms in Uganda. The study found that institutional pressures are significant predictors of IFR. On the other hand, Nahar *et al.* (2016) used the crisis period (2006–2012) to investigate the relationship between risk governance and bank performance in a country where risk disclosure is voluntary. They found that risk governance significantly influenced the performance of listed banks in Bangladesh. Further, Munir and Baird (2016) investigated the influence of institutional pressures on the performance measurement system (PMS) within banks and FIs in Australia. They found that institutional pressures are associated with the use of multidimensional PMS.

Given that research has found positive associations of institutional pressures (IP) with other factors such as IFR, tax compliance and sustainable energy orientation, it is likely that IP will predict risk governance in FIs. This review of literature reveals this hypothesis:

H1. There is a positive relationship between institutional pressures and risk governance.

2.2.2 Coercive pressures and risk governance. According to the institutional theory (DiMaggio and Powell, 1983), coercive pressures are relevant in reducing decision uncertainty through direct authority relationships. Coercive pressures refer to firms being forced into a course of action (Bananuka *et al.*, 2019; Ozili, 2023). Coercive pressures stem from the similarity in responses to political influence and/or a search for organizational legitimacy within a population of organizations (Munir and Baird, 2016). This study defines coercive pressures according to DiMaggio and Powell (1983, p. 150): "Coercive pressures results from both formal and informal pressures exerted on organisations by other organizations upon which they are dependent and by cultural expectations in the society within which organisations function." Prior studies that have examined coercive pressures have not linked it directly to risk governance. However, Kusi *et al.* (2020) found that policies mitigate the effect of underwriting risks on profitability and also suggest that regulations significantly mitigate the negative effect of guaranteeing risk to improve firm profitability. Relatedly, Bouheni (2014) found that restrictions on bank activities, supervisors' power and capital adequacy decrease risk-taking. Thus, regulation and supervision enhance the bank's stability. In addition, Nyahas *et al.* (2017) found that coercive isomorphism is positively related to voluntary disclosure among listed banks in Nigeria. Further, Ross and Hannan (2007) found that there must be clear, quantifiable models of risk, and those responsible for developing and refining risk-based decision models must have access to knowledge about the outcomes of assessments. However, it is not clear whether indeed coercive pressures can lead to effective risk governance. Our argument is that firms with both formal and informal rules and regulations, such as a defined amount of risk for every managerial level, are more likely to have effective risk governance than those without. Thus, the following hypothesis is put forward.

H2. There is a positive relationship between coercive pressures and risk governance.

2.2.3 Imitation pressures and risk governance. The institutional theory posits that mimetic isomorphism stems from the uncertainty in the environment in which the firm operates (DiMaggio and Powell, 1983). Mimetic pressure is a response in which corporations imitate other firms that are viewed as more legitimate and successful (DiMaggio and Powell, 1983). Studies that link mimetic pressures to risk governance are not common. However, Bananuka (2020) posited that firms mimic other organizations so as to maintain competitiveness and reduce adverse and unexpected outcomes of heterogeneity. Institutions create order so as to reduce uncertainty (North, 1991). In the same vein Setyorini and Ishak (2012), revealed that, under uncertainty-listed firms in Indonesia mimic other firms, resulting in similarity in the extent of social and environmental organizational structures. Given that previous studies have found that mimetic pressures have been at the center of reducing uncertainty, it is highly probable that mimetic pressures play a vital role in effective risk governance. Therefore, the following can be hypothesized:

H3. There is a significant positive relationship between mimetic pressures and risk governance.

2.2.4 Normative pressures and risk governance. DiMaggio and Powell (1983) posited that normative pressures stem from the professionalization of norms in a given sector or industry. Normative pressures are the reflection of adherence and application of professional conventions and standards by members working in an organization or industry (Jaja *et al*., 2019; Mollah and Rouf, 2022). This study defines normative pressures as the collective struggle of members of an occupation to define their conditions and methods of work for mitigating risk (DiMaggio and Powell, 1983). The link between normative pressures and risk governance is not well documented in the existing literature. However, Nyahas *et al*. (2017) found that normative pressures significantly influence voluntary disclosure among listed banks in Nigeria. In the same vein, Amran and Haniffa (2011) found that normative pressures significantly influence sustainability reporting in Malaysia. It is not clear whether indeed normative pressures are important for risk governance. However, it can be argued that firms with defined professional norms, risk rules and regulations to follow are more likely to have effective risk governance than those without. Thus the following can be hypothesized.

H4. There is a positive relationship between normative pressures and risk governance.

3. Methodology

3.1 Design, population and sample

This study adopted a cross-sectional survey design to examine the relationship between institutional pressures and risk governance using a structured questionnaire. The study comprised a population of 230 licensed FIs in Uganda (Bank of Uganda, 2017; Financial Institutions Act, 2004). A sample of 146 FIs was determined using the Krejcie and Morgan (1970) sampling table. The selection of 146 FIs was done through stratified random sampling technique. The study targeted three respondents who were selected through the purposive sampling as the unit of inquiry; these were the risk director, internal auditor, managing director or board member based on the premise that these were sufficiently knowledgeable and experienced company officers. The approach of collecting data from more than one respondent per institution has been used by previous researchers (Baer and Frese, 2003; Kamukama *et al*., 2011; Nalukenge *et al*., 2017). Since the unit of analysis was a FI, all responses collected were aggregated into a FI during data analysis. Out of the 146 financial institutions, completed questionnaires were received from 112 FIs, which represents a response rate of 77%. The response rate was high enough to permit further analysis of the study data.

3.2 Questionnaire, measures and control variables

We developed a structured questionnaire anchored on a six-point Likert scale to enable us to collect data for our study by following the guidelines stipulated by Saunders *et al*. (2009). Research by Sekaran (2003) posited that a structured questionnaire is a suitable instrument for large samples. We used a six-point Likert scale to minimize the response biases associated with scales that have a midpoint (Dolnicar *et al*., 2011). We used a multistep questionnaire development procedure to ensure validity and reliability of the study variables by reviewing the existing literature (Field, 2009).

We measured our study variables based on the works of prior studies. Institutional pressure was measured in terms of mimetic, coercive and normative pressures (Bananuka, 2020; DiMaggio and Powell, 1983; Nyahas *et al*., 2017). Risk governance was operationalized in terms of structures, formality, centralization and responsibility (Hage and Aiken, 1967; Lundqvist, 2015; Dewar *et al*., 1980). We also controlled for variables such as firm age, firm size and number of risk committee meetings. The works of Bartov *et al*. (2000) indicate that

failure to control for confounding variables may lead to falsely rejecting a hypothesis when in fact it should have been accepted.

3.3 Common methods variance

Given that survey studies experience common method bias, this was controlled by following procedural remedies recommended by Podsakoff *et al.* (2003) so as to minimize the measurement error. Procedural remedies used included (1) utilizing a six-point response scale to avoid middle-point responses, where 1 = strongly disagree and 6 = strongly agree. We also ensured that data collection is done in two phases; the data for the independent variable was collected separately from that of the dependent variable. We engaged experts when developing our study instrument to avoid any grammatical errors or double-barreled questions. Lastly, we ensured respondents' confidentiality by not asking respondents to indicate their names on the questionnaire and informed them initially that the information they provide is for academic purposes only.

3.4 Validity and reliability of the research instrument

We tested for reliability (internal consistency and stability) of the questionnaire using Cronbach's α coefficient. The Cronbach's α values for institutional pressures were 0.889 and for risk governance were 0.892. According to Cronbach (1951), the Cronbach's α coefficient should be at least 0.7 and above, and for this study, all the alpha coefficients were above 0.7, thus indicating adequate internal consistency of the measurement of study variables (Nunnally, 1978). For validity, we tested for content and construct validity. The content validity of the instrument was assessed using a content validity index (CVI) and the overall CVI was 0.85, which is above the threshold. Our study instrument was designed based on measurement scales provided by prior scholars such as Bananuka *et al.* (2019); Lundqvist (2015), and it was submitted to eight experts, including four academicians and four practitioners to check the relevance of the questions asked, and their clarifications were carefully incorporated.

We further tested for construct validity by carrying out convergent and discriminant validity tests (Blumberg *et al.*, 2014; Field, 2009). To ascertain convergent validity, the communalities table through principal components analysis for each variable was extracted (Field, 2009). All the items with factor loadings of below 0.5 were suppressed. We achieved discriminant validity by using the rotated component matrix through the principal component analysis as the extraction method and varimax with Kaiser normalization as the rotation method to identify the principal components. Only those factors with loadings of 0.5 and above and eigenvalues that were greater than 1.0 were retained, as shown in Tables 1 and 2.

4. Results

4.1 Descriptive statistics

The study results in Table 3 show that a majority of the respondents were male at 65%, implying that more males are working as risk managers than their female counterparts. Regarding the age bracket of the respondents, majority were in the age bracket of 30–39 years, and the least are in between 60 and above at 3%. This means that FIs are dominated by youthful employees who vigorously manage the their operations. Concerning the level of education, most of the respondents have a bachelor's degree at 63% and the least have a certificate and master's degree at 9 and 10%, respectively. This shows that the majority of the risk managers have the knowledge and expertise needed to foster managing risks in FIs. For experience in banking business, majority of the respondents had experience of 6–10 years at 38% and the least had 16 years and above of experience in banking business at 8%, signifying that the respondents had the experience required to respond to the study questionnaire objectively.

Table 1. Rotated component matrix for institutional pressures

Items	1	2	3
Employees adhere to professional codes of ethics of their respective professions	0.729		
We consider professional qualifications in our recruitment policy	0.694		
We emphasize use of experience and competence	0.691		
We emphasize adherence to legitimate processes of work	0.617		
We consider working experience in our recruitment process	0.615		
Employees adhere to the standard criterion of their work	0.615		
Employees are trained through the same standards of work practices	0.579		
Risk responses are shaped by others companies in the industry		0.724	
We prepare for uncertainties using tactics used by other industry players		0.672	
We adopted credit scoring technology because other players adopted it too		0.639	
We consult our industry leaders when dealing with new risks		0.561	
We benchmark risk mitigation policies used by our industry leaders		0.547	
We use risk control methods that are developed by our peers		0.531	
Risk assessments are similar to those of others companies in the industry		0.507	
Adheres to guidelines provided by our regulators			0.680
Has the required rules and regulations to follow as we operate			0.646
Adheres to guidelines provided by our umbrella association			0.634
Records risk information following the guidelines of our regulators			0.628
Abides by the guidelines provided by our major financiers			0.566
Provides vital risk information to the public as required by law			0.550
Eigenvalues	6.41	2.237	2.008
Percentage of variance	15.144	14.051	13.427
Cumulative percentage	15.144	29.196	42.622

Note(s): KMO = 0.805; Bartlett's test of sphericity: approx. 1263.528, df = 300 Sig = 0.000
1 = 1 = Normative pressures, 2 = Imitative pressures and 3 = Coercive pressures
Extraction method: Principal component analysis. Rotation method: Varimax with Kaiser normalization
Source(s): Primary data

4.2 Correlation analysis

Our study performed Pearson correlation analysis to determine whether there are positive and significant relationships between the study variables as hypothesized from the literature as shown in Table 4. Study results indicate that there is a significant positive association between institutional pressure and risk governance ($r = 0.369^{**}$, $p < 0.01$). This implies that a positive change in institutional pressure is associated with a positive change in risk governance. The results also show that there is a significant positive relationship between normative pressures and risk governance ($r = 0.400^{**}$, $p < 0.01$). This means that a positive change in the normative pressures are associated with a positive change in the level of risk governance. In addition, mimetic pressures are positively and significantly associated with risk governance ($r = 0.250^{**}$, $p < 0.01$). This means that a unit positive change in mimetic pressures translates a unit positive change in risk governance. Finally, the results also demonstrate that there is a significant and positive association between coercive pressures and risk governance ($r = 0.235^{**}$, $p < 0.01$). This result implies that a unit change in coercive pressures will translate into a 23.5% improvement in risk governance. This provides preliminary support for H2, which states that there is a positive relationship between coercive pressures and risk governance in FIs. Given that, the study control variables have no significant association with risk governance. This implies that the confounding factors did not affect our model.

4.3 Hierarchical regressions

To further confirm our hypotheses, linear regression analysis was performed to determine the explanatory power of institutional pressure on risk governance in FIs and the results are

Table 2. Rotated component matrix for risk governance

Items	1	2	3	4
. . . favors resource usage in the institution	0.694			
. . . provides for checks and balances in management	0.690			
. . . is suitable for decision processes such as risk decision levels	0.687			
. . . enables unit heads to effectively manage risks in all our work centers	0.629			
. . . facilitates coordination of our workstations in other areas	0.611			
. . . provides expected accountability for every unit in our organization	0.545			
. . . provides for checks and balances in management	0.532			
. . . clearly stipulates tasks of employees	0.509			
We are accountable for the actions of the groups we belong to		0.681		
We accept ownership of the results of our decisions		0.633		
We demand the truth, regardless of its consequences		0.620		
We can make the right decisions without close supervision		0.526		
We realistically deal with work challenges		0.515		
We specify the dos and don'ts of everyone's job			0.662	
We follow strict operating procedures at all times			0.655	
We are required to stick to our specified jobs			0.637	
We ensure that failure to follow rules is punishable			0.602	
We keep written records of everyone's job performance			0.586	
Going through proper channels is constantly stressed			0.583	
We have guidelines to follow when dealing with risks			0.543	
We ensure that going through proper channels is constantly stressed			0.541	
We are involved in the decisions to recruit new employees				0.698
We contribute in assessments of activities related to our departments				0.641
We participate in the decisions to promote experienced employees				0.588
We take part in the formation of policies linked to our departments				0.524
Eigenvalues	8.545	3.433	3.052	2.717
Percentage of variance	9.8	9.22	8.651	7.128
Cumulative percentage	9.8	19.02	27.67	34.799

Note(s): KMO = 0.743; Bartlett test of sphericity Approx. Chi-Square = 3503.410, df = 1,275
Sig. = 0.000 Extraction method: Principal component analysis; Rotation method: Varimax with Kaiser normalization
1 = structure, 2 = responsibility, 3 = formality and 4 = centralization
Source(s): Primary data

Table 3. Descriptive statistics

Item	Risk governance	Institutional pressures	Normative pressures	Coercive pressures	Imitation pressures
No.	112	112	112	112	112
Mean	4.99	4.89	4.97	5.23	4.47
Median	5.01	4.93	5.06	5.38	4.43
Mode	6.00	6.00	5.00	6.00	4.29
Std. deviation	0.52	0.61	0.75	0.69	0.86
Minimum	3.94	3.46	2.50	3.25	1.71
Maximum	6.00	6.00	6.00	6.00	6.00

Source(s): Primary data

presented in Table 5. This analysis is vital in assessing the individual contribution of the predictors, and it is also vital in examining their incremental validity (Sekaran, 2003; Field, 2009). A hierarchical regression is suitable for examining the explanatory power of the

Table 4. Correlation analysis results

Variables	1	2	3	4	5
Risk governance (1)	1				
Institutional pressures (2)	0.369**	1			
Normative pressures (3)	0.400**	0.787**	1		
Coercive pressures (4)	0.235**	0.774**	0.472**	1	
Imitation pressures (5)	0.250**	0.819**	0.432**	0.440**	1

Note(s): **Correlation is significant at the 0.01 level (2-tailed)
*Correlation is significant at the 0.05 level (2-tailed)
Source(s): Primary data

Table 5. Hierarchical regressions analysis

Item	Model 1	Model 2	Model 3	Model 4	Model 5	Tolerance	VIF
Constant	4.956	3.46	3.961	3.459	3.43		
Institutional pressures		0.361				0.956	1.046
Coercive pressures			0.24	0.071	0.048	0.68	1.470
Normative pressures				0.355	0.337	0.701	1.426
Imitation pressures					0.071	0.707	1.414
Control variables							
Firm age	0.01	−0.001	0.02	−0.004	−0.008		
Firm size	−0.103	−0.032	−0.079	−0.043	−0.033		
Risk committee meetings	0.101	0.087	0.124	0.08	0.073		
Model F	0.961	5.951	0.961	5.75	4.879		
R^2	0.02	0.144	0.076	0.17	0.174		
Adjusted R^2	−0.001	0.12	0.05	0.141	0.138		
F change	0.961	20.524	8.634	15.846	0.604		
R^2 change	0.02	0.125	0.057	0.094	0.004		

Note(s): **Significant at the $p < 0.01$
Source(s): Primary data

independent variable on the dependent variables (Field, 2009). In Model 1, we entered control variables. These are firm age, firm size and number of risk committee meetings. We find that none of the control variables is significant. This shows that the control variables do not confound the results of testing the relationship between the study variables. In Model 2, we established the predictive potential of institutional pressure on risk governance as a global variable to confirm H1, which states that there is a significant relationship between institutional pressure and risk governance in FIs in Uganda. The regression results indicate that institutional pressure explains risk governance in FIs (b = 0.361, $p < 0.05$). Institutional pressure predicts up to 12.5% of the variance in risk governance in FIs. The model was statistically significant at ($p < 0.01$), and hence H1 is confirmed.

In Model 3, we began by entering the specific dimensions of institutional pressure to establish the explanatory power of each dimension on risk governance. According to the regression results presented in Table 5, coercive pressures explain risk governance in FIs (b = 0.240, $p < 0.05$) and predict 5.7% of the variance in risk governance in FIs. The model was statistically significant, and hence H2 is confirmed. In Model 4, the regression results show that normative pressure predicts risk governance in FIs (b = 0.355, $p < 0.05$) and predicts up to 9.4% of the variance in risk governance in FIs in Uganda. The model was statistically significant, and hence H3 is confirmed.

In addition, the regression results in Model 5 show that mimetic pressure explains risk governance in FIs ($b = 0.071$, $p < 0.05$) and predicts 0.04% of the variance in risk governance in FIs. However, in Model 5, all three dimensions of institutional pressure were entered, and only coercive pressure and normative pressure were found significant, unlike imitation pressures, hence H4 is not supported. Taken together, the dimensions of institutional pressures predict 13.8% of the variance in risk governance in FIs in Uganda. In this study, we wish to inform the readers that, in these hierarchical regression results, the standardized beta coefficients β values were used.

5. Discussion

The regression analysis results of our study indicate that institutional pressure is positively and significantly associated with risk governance in FIs. This means that FIs that embrace and adapt institutional pressures are likely to improve their risk governance by adhering to established rules and regulations and allocating risk responsibility to specific risk owners/officers. This study's findings are in agreement with Bananuka *et al.* (2019), who found that institutional pressures are significantly associated with IFR. Our study results are also consistent with the work of Nyahas *et al.* (2017), who found that institutional pressures are positively associated with voluntary disclosures of listed firms in Nigeria. The study results are also in line with the institutional theory, which suggests that firms constantly aim to maintain and increase legitimacy through complying with regulations, professional norms and imitation of risk mitigation strategies used by successful firms (DiMaggio and Powell, 1983; Qu *et al.*, 2012).

Regarding H2, the results of our study indicated a positive and significant association between normative pressures and risk governance in FIs. Such a finding means that FIs which believe that using professionals such as risk analysts and qualified chief risk officers is paramount in achieving set targets can mitigate the risks in their operations. This is in agreement with Nyahas *et al.* (2017), who found that professionalism enhances voluntary disclosure. This is also supported by Kent *et al.* (2014), who reported that normative pressure facilitate adoption of work standards of a team or institution to gain legitimacy and acceptance.

Concerning H3, the results study revealed a positive and significant association between coercive pressures and risk governance in FIs. This finding implies that FIs where risk managers ensure strict adherence to rules and regulations are likely to govern their risks. Financial laws and regulations control risk taking behavior and guide decision making such as rules regarding insider lending and financial reporting. Our study corroborates the findings of Nyahas *et al.* (2017) who indicated that regulatory pressures coerce firms to disclose their performance annually. Our findings are also consistent with Haque, 2019), who indicated that supervisory power index (SP) maintains statistically significant positive relationship with bank risk-taking.

Lastly, regarding H4, the results study showed that mimetic pressure and risk governance in FIs are not associated. This implies that H4 was not supported. This is likely to be true because, the limited resources used by small FIs make it hard for them to copy and implement all the strategies used by large financial institutions. This finding is supported by Nyahas *et al.* (2017), who indicate that mimetic pressures are not related to voluntary disclosure. This may be so because some firms cannot easily implement the tactics of their counterparts without securitizing them. On the other hand, this finding disagrees with Setyorini and Ishak (2012). In most economies, some FIs are too large while others are too small in terms of size of operations; such small firms need ample time to adopt tactics used by big FIs.

6. Conclusion, implications, limitations and areas for future research

This study aimed at establishing the contribution of institutional pressure and its individual dimensions on risk governance in FIs using evidence from Uganda. This study's purpose was

achieved through a questionnaire survey of 112 financial services firms. The results revealed that institutional pressure and two of its dimensions (normative pressure and coercive pressures) significantly contribute to risk governance in FIs in Uganda; however, mimetic pressures do not predict risk governance in FIs in Uganda. Our study finding thus provides initial empirical evidence on the relationship between institutional pressure and risk governance in FIs in Uganda.

This study has several implications for academicians, practitioners and policymakers. For researchers, this study contributes and extends the existing literature on risk governance of FIs in emerging economies by documenting that institutional pressure and two of its dimensions (normative pressure and coercive pressures) significantly contribute to risk governance in FIs. To our knowledge, such a finding is the first of its nature given that previous studies largely focused on governance characteristics such as firm size, risk committees and performance of FIs. Consequently, this study contributes to the scanty existing literature on the practices that promote effective risk governance in FIs.

This study's finding that institution pressure is significantly associated with risk governance provides support to the institutional theory. This is because institutional pressures such as normative pressures and coercive pressures are crucial for ensuring that risk governance practices and mechanisms are given adequate attention in the financial institutions' operations. Such pressures on staff eliminate conflict of interest and streamline operations with in the FI. This is possible if formal structures of such FIs support professionalism at work and emphasize strict adherence to rules and regulations during execution of company activities.

In terms of managerial/practical implications, our study findings show that institutional pressures such as normative pressure and coercive pressures are critical for enhancing risk governance. Therefore, those charged with governance, such as boards of FIs and risk committees, are advised to maintain a high level of compliance with such pressures from the regulators, such as the Bank of Uganda (BoU), through attracting qualified/professional human resources and continuously training such employees to ensure they are up to date with such requirements/pressures. Thus, enabling effective risk governance throughout the operations of the FI.

The limitations of our study are discussed alongside areas for further research. First, this study used FIs in Uganda as the unit of analysis. It is possible that this may have affected the generalizability of such results to other sectors whose operational environments may be different from those of FIs. Future studies may investigate other sectors with risky operations, such as healthy institutions, among others. Second, the predictor variable of our study explained only 13.8% of the variance in risk governance in FIs. Future studies may consider exploring other factors such as psychological ownership and stewardship behavior of employees as predictors of risk governance in FIs. Finally, future studies may consider undertaking a mixed methodology study, which may provide a more holistic and comprehensive exploration of risk governance since this was a quantitatively based study.

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Corresponding author

JohnBosco Kakooza can be contacted at: jbkakooza@mubs.ac.ug