

# **Risk Management on Financial Performance in Higher Institutions of Learning: a case study of uganda christian university, mbale campus**

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## **Abstract**

Risk Management is the application of proactive strategy to plan, lead, organize and control the wide variety of risks that come into the fabric of an organization daily and in the long term functioning. Risk has a say in the achievement of our goals and in overall success of an organization. **Problem statement:** A number of universities and other higher institutions of learning are grappling with how to manage risk in order to maximize firm value via the reduction of costs associated with different risks. There is need for higher institutions of learning to manage key causes of risk and probably in that way also manage risks which have not been identified. **Objectives:** The objectives of the study were to identify types of risks faced by higher institutions of learning and to establish techniques of managing the risks faced by higher institutions of learning. **Methodology:** To achieve the objective of this study, the researchers used descriptive research design with both qualitative and quantitative approaches, interview guide for primary: from secondary sources i.e from books, journals and online publications. Purposive sampling was used to sample managers and simple random sampling technique to sample support staff. **Findings:** Researchers identified various risks like; strategic risk, financial risk, legal risk, reputation risk operational risk and major project risk faced by higher institutions of learning. The study concluded that higher institutions of learning should in

**essence identify and outline common causes of risks and focus on how to manage the key causes for the survival and accelerated growth of their institutions. They can do this by stressing more on sensitizing the students and staff through risk reduction, self insurance and precautionary measures other than solely buying insurance**

**Keywords:** *Risk Management, Higher Institutions of learning, financial risk, Operations risk.*

## **Introduction**

Risk management has attracted an increasing interest which permits all aspects of the risk universe, that is to say it overlaps with all types of risks such as strategic risks, financial risks, legal risks, reputational risks and operational risks

In order for the higher institutions of learning to remain competitive, there is need to manage its risks and earn acceptable returns. Risk is an increasing exposure and higher institutions of learning need to develop policies and strong frame works and approaches to manage these risks. This is done purposely to increase the efficiency and effectiveness of the institutions

## **Methodology and Materials**

Descriptive research design with both qualitative and quantitative approaches was used in this study. Interview guide and questionnaires were used to collect primary data. More data was obtained from secondary sources i.e from books, journals and online publications. Purposive sampling was used to sample managers and simple random sampling technique to sample support staff.

**Types of risks faced by the higher institutions of learning  
Managers and staff members' background information**

S/N	Category of members	TOTAL
1	Director	1
2	College secretary	1
3	Academic Registrar	1
3	HOD	9
4	STAFF MEMBERS	189

**Table 1.1: Risks faced by the higher institutions of learning**

RESPONSES BY 12 MANAGERS											
S/ N	Questionnaire Item	SA		A		NS		D		SD	
		F	%	F	%	F	%	F	%	F	%
1	Strategic Risks	10	83	-	-	01	8	01	8	-	-
2	Legal risks	-	-	01	08	03	25	08	67	-	-
3	Reputation risks	-	-	08	66	02	16	-	-	02	16
4	Operational risks	-	-	02	17	04	33	05	42	01	08
5	Major Project Risks	02	17	06	50	-	-	04	33	-	-

The findings indicate that higher institutions of learning are faced with strategic risks more than other risks. This is represented by 83%.

**Table 1.2: Risks faced by the higher institutions of learning**

RESPONSES BY 189 STAFF MEMBERS											
S/ N	Questionnaire Item	SA		A		NS		D		SD	
		F	%	F	%	F	%	F	%	F	%
1	Strategic Risks	100	53	20	10	07	04	40	21	22	12
2	Legal risks	120	63	19	10	24	13	21	30	05	03
3	Reputation risks	89	47	73	39	21	30	03	02	03	02
4	Operational risks	110	58	40	21	12	06	30	16	07	04
5	Major Project Risks	31	16	06	03	08	06	04	02	140	74

Unlike the managers who established that higher institutions of learning are faced with strategic risks, the staff strongly agree that the institutions of learning are faced with legal risks (63%)

## **Ways of Managing Risks Faced by the Higher Institutions of Learning**

**Table 1.3 Ways of managing risks by higher institutions of learning**

<b>RESPONSES BY 12 MANAGERS</b>											
S / N	Questionnaire Item	SA		A		NS		D		SD	
		F	%	F	%	F	%	F	%	F	%
1	<b>Internal financing</b>	06	50	02	17	01	08	02	17	01	08
2	<b>Risk avoidance</b>	03	25	05	42	-		01	08	03	25
3	<b>Buy insurance</b>	08	67	03	25	-		01	08		
4	<b>Self insurance</b>	10	83	02	17	-		-	-	-	
5	<b>Risk Reduction</b>	11	92	01	08	-	-	-	-	-	
6	<b>Precautionary measures</b>	09	75	02	15	-		01	08	-	

The results on table 1.3 indicate that managers strongly agree that risk reduction is the best way of managing risks in higher institutions of learning (92%). On the other hand respondents indicated that precautionary measures are not necessary managing risks.

**Table 1.4 Ways of managing risks by higher institutions of learning**

RESPONSES BY 189 STAFF MEMBERS											
S/ N	Questionnaire Item	SA		A		NS		D		SD	
		F	%	F	%	F	%	F	%	F	%
1	Internal financing	133	70	11	06			45	24	-	-
2	Risk avoidance	170	90	09	05	10	05	-	-	-	-
3	Buy insurance	180	95	07	04			02	01		
4	Self insurance	172	90	02	01	13	07	02	01		
5	Risk Reduction	169	89	03	02	17	09	-	-	-	
6	Precautionary measures	101	53	51	27	05	03	32	17		

Results show that the appropriate way of managing risks is by buying insurance (95%), risk avoidance (90%) and by self-insurance (90%). However, the managers were in favor of risk reduction and self insurance.

## Conclusion

According to table 1.1 and table 1.2 above, 83% of the managers strongly agreed that higher institutions of learning are faced with strategic risks while 63 % of the staff strongly agreed that higher institutions are faced with legal risks According to tables 1.3 and table 1.4 above, 92% of the managers strongly agreed that risk reduction is the best way to manage risks in higher institutions of learning while 95% of the staff members strongly agreed that buying insurance is the one of the best ways to manage risks at the higher institutions of learning

## **Recommendations**

Management should recognize the importance of risk management in order to keep institutions safe and financially healthy by understanding the risks they face, participate in establishing priorities in risk management plan Managers and staff members should be responsible for the safety, monitoring, coaching employees and students on safety measures and incident prevention

Management should be proactive by evaluating risk exposures on leading loss areas and benchmark with other universities on how they predict future risk issues

Universities need to conduct ongoing assessment of risk and control systems and use audits to evaluate and maximize the effectiveness of existing controls (AICPA 2009)

Management should establish strategic plan for effective risk management system with a detailed strategic plan to provide a structure which safety managers can re-visit to build and monitor organization's overall needs

Higher institutions learning should have a risk manager to are policy documents, interpret them and fore see risks that are yet to happen

## **Further research**

Research on risk management on financial performance of public sector.

Research on the role of risk management on performance of NON-Governmental Organizations

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