MAKERERE UNIVERSITY

MAKERERE UNIVERSITY BUSINESS SCHOOL

RISK MANAGEMENT, STAKEHOLDER ENGAGEMENT, AND ESG SUSTAINABILITY AMONG COMMERCIAL BANKS AND INSURANCE COMPANIES.

BY

AHIMBISIBWE SUSAN

2022/HD10/4918U

EMAIL: uwasesu@gmail.com

TEL: +256 784 279729

A DISSERTATION SUBMITTED TO MAKERERE UNIVERSITY BUSINESS SCHOOL (FACULTY OF GRADUATE STUDIES AND RESEARCH) IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION OF MAKERERE UNIVERSITY

PLAN A

SEPTEMBER, 2025

DECLARATION

I hereby confirm that this dissertation is original and has not been previously submitted for any other academic degree.

Signature: _____ Date: 27/09/2025.

AHIMBISIBWE SUSAN

2022/HD10/4918U

APPROVAL

This dissertation has been submitted with our approval as University supervisors.

Signature:..... Date..29-09-2025.....

Dr. Isaac Nkote Nabeta

Signature:..... Date..29:09:2025.....

Ms. Babirye Faith

DEDICATION

This dissertation is dedicated to my husband, my children my parents and my siblings for the unprecedented overwhelming support, comfort, guidance and encouragement given to me during the entire research programme. May God bless you.

ACKNOWLEDGEMENT

I would like to take this opportunity to extend my gratitude to my academic supervisors Dr. Isaac Nkote Nabeeta and Ms. Babirye Faith for their kind attention and contribution during the course of writing this dissertation.

I would also like to thank all the lecturers that have taught me throughout this Masters Programme.

Finally, yet importantly, I would like to thank my close friends for understanding during the entire course and their never-ending encouragement.

Lastly, I take the pleasure to recognise the invaluable and incredible support and assistance; rendered to me by my parents, brothers, sisters and friends, may God reward you abundantly.

TABLE OF CONTENTS

DECLARATION i
APPROVAL ii
DEDICATION iii
ACKNOWLEDGEMENT iv
TABLE OF CONTENTS v
LIST OF TABLES viii
LIST OF ACROYNMS AND ABBREVIATIONS ix
ABSTRACT x
CHAPTER ONE 2
INTRODUCTION 2
1.1 Introduction 2
1.2 Background to the Study 2
1.3 Statement of the Problem 4
1.4 Purpose of the Study 5
1.5 Objectives of the Study 5
1.6 Research Questions 5
1.7 Scope of the Study 6
1.7.1 Subject Scope 6
1.7.2 Geographical Scope 6
1.7.3 Time scope 6
1.8 Significance of the Study 6
1.9 Conceptual Framework 7
Description of the Conceptual Framework 7
CHAPTER TWO 8
LITERATURE REVIEW 8
2.1 Introduction 8
2.2 Theoretical Review 8
2.3 Environmental, Social, and Governance Sustainability 9
2.4 Risk Management 10
2.5 Stakeholder Engagement 11

2.6 Risk Management and ESG Sustainability....12
2.7 Stakeholder Engagement and ESG Sustainability....12
2.8 The Effect of Risk Management and Stakeholder Engagement on ESG Sustainability....13
CHAPTER THREE....16
RESEARCH METHODOLOGY....16
3.1 Introduction....16
3.2 Research Design....16
3.3 Population of the study....16
3.4 Sample size and sampling techniques....16
3.5 Data Sources....17
3.6 Data collection instrument....17
3.7 Measurement of Variables....18
3.8 Reliability and Validity....18
3.9 Ethical Considerations....19
3.10 Data Processing and Analysis....19
CHAPTER FOUR....19
PRESENTATION AND INTERPRETATION OF RESULTS....20
4.1 Introduction....20
4.2 Demographic Characteristics of respondents....20
4.3 Financial Institution Characteristics....22
4.4 Descriptive Statistics....23
4.5 Correlation Analysis....25
4.5.1 Risk Management and ESG Sustainability....26
4.5.2 Stakeholder Engagement and ESG Sustainability....27
4.6 Regression analysis....27
CHAPTER FIVE....29
DISCUSSION OF FINDINGS, CONCLUSION AND RECOMMENDATIONS....29
5.1 Introduction....29
5.2 Discussion of Findings....29
5.2.1 Risk Management and ESG Sustainability....29
5.2.2 Stakeholder Engagement and ESG Sustainability....30

5.2.3 Effect of risk management and stakeholder engagement on ESG sustainability.....31
5.3 Conclusion.....32
5.4 Recommendations.....32
5.5 Study limitations.....34
5.6 Areas for further research.....34
References.....35
Appendix 1: Questionnaire.....40
Appendix 2: Financial Institution Subsector.....43

LIST OF TABLES

Table 3.1: Reliability and Validity Analysis 18

Table 4.1: Showing Respondent Characteristics. 21

Table 4.*2*: Showing Financial Institution Profile.....22

Table 4.3: Descriptive Statistics 24

Table 4.4: Correlations Analysis 26

Table 4.5: Regression results.....28

LIST OF ACROYNMS AND ABBREVIATIONS

BOU	-	Bank of Uganda
CVI	-	Content Validity Index
ESG	-	Environmental, Social, and Governance
ICPA	-	Institute of Certified Public Accountants of Uganda
SDGs	-	Sustainable Development Goals
SD	-	Standard Deviation
SMEs	-	Small and Medium Enterprises
SPSS	-	Statistical Package for Social Sciences

ABSTRACT

This study investigated the correlation between risk management, stakeholder engagement, and ESG sustainability among commercial banks and insurance companies in Uganda. This study primarily focused on the following objectives: to analyze the relationship between risk management and ESG sustainability among commercial banks and insurers in Uganda, to explore the relationship between stakeholder engagement and ESG sustainability among commercial banks and insurers in Uganda, and to assess the combined impact of risk management and stakeholder engagement on ESG sustainability among commercial banks and insurers in Uganda. The research employed a cross-sectional design, utilizing a sample of 58 commercial banks and insurance companies in Uganda. The data underwent reliability testing, was analyzed with SPSS v23, and the results were presented according to the study objectives. The findings indicated a substantial and affirmative correlation between risk management and ESG sustainability within commercial banks and insurers in Uganda. Moreover, the findings revealed a substantial positive correlation between stakeholder involvement and ESG sustainability within commercial banks and insurers in Uganda. Risk management and stakeholder engagement account for 14.9% of the variance in ESG sustainability among commercial banks and insurance companies in Uganda. Furthermore, stakeholder engagement emerged as a more robust predictor of ESG sustainability among commercial banks and insurers in Uganda than risk management. Consequently, the report advised that commercial banks and insurers in Uganda prioritize stakeholder management to attain ESG sustainability. This can be achieved by fostering enthusiasm, commitment, and engagement among personnel during task execution. Additional research may be undertaken to identify other predictors of ESG sustainability among commercial banks and insurers in Uganda, as the independent variables currently account for just 14.9% of the variance.

CHAPTER ONE

INTRODUCTION

1.1 Introduction

This chapter includes the background of the study, problem statement, objectives, research questions, scope, significance, and conceptual framework.

1.2 Background to the Study

Organizations that actively manage environmental, social, and governance (ESG) sustainability creates value for both business and society (Taliento et al., 2019). Businesses can improve their reputation, cut waste, boost operational efficiency, and obtain a competitive edge by implementing ESG sustainability practices. In the end, this can enhance environmental, social, and economic (ESE) performance and shared value (Alsayegh et al., 2020). ESG sustainability initiatives also reduce profit volatility, provide more attention to sustainable development, and offer easier access to cheaper financing (Kumar, 2020). Banks and Insurance companies drive sustainable development (Radzi et al., 2023). Many commercial banks have historically ignored their direct environmental and social footprints in favor of focusing solely on environmental issues like building energy use, employee relations, and the impact on local communities, even though they are exposed to risks from the organizations they fund (Nwobu, 2017).

Literature suggests that risk management (Gaganis et al., 2023; Landi et al., 2022) and stakeholder management (Vural- Yavaş, 2021) influence ESG sustainability among banks and insurance companies. The stakeholder-oriented management theory, as explained by Freeman and Dmytriyev (2017), suggests that ESG sustainability is enhanced through improved stakeholder engagement. The legitimacy theory by Dowling and Pfeffer (1975) also supports this viewpoint. Businesses that actively participate in ESG sustainability initiatives can increase their long-term

worth by upholding their environmental commitments, enhancing their reputation, and carrying out their social duties (Rezaee, 2016). According to the legitimacy theory, companies voluntarily sustain ESG practices to signal compliance with societal expectations and norms (Alsayegh et al., 2020). Şeker and Şengür (2021) argue that firms must maintain their socially acceptable status, which can be understood through the legitimacy theory. Thus, by implementing ESG principles, managers who possess more or better-quality corporate information than different stakeholders are less likely to make wrong selections, and information asymmetry will be reduced. (Rezaee, 2016).

Although there are empirical studies on ESG sustainability in Uganda (Akware, 2023; Ashraf et al., 2022; Bananuka et al., 2022), further research is needed to address the gaps in these studies. The study by Akware (2023) focused on the environmental impacts of financial institutions but could lack an exploration of how risk management practices influence these impacts. In their study by Ashraf et al. (2022), while they examined social governance in microfinance institutions, did not delve into stakeholder engagement in commercial banks and insurance companies. The study by Bananuka et al. (2022) analyzed ESG reporting practices but did not consider how internal risk management strategies or stakeholder engagement processes contribute to effective ESG outcomes. The existing studies mainly focused on one category of financial institutions, and a few of them examined risk management and stakeholder engagement as factors influencing ESG sustainability while considering several categories of financial institutions in Uganda. Thus, by investigating the impact of risk management and stakeholder engagement on ESG sustainability among Ugandan commercial banks and insurance providers, this study seeks to close these gaps.

In Uganda, the financial services sector has made progress in the sustainability of ESG, as demonstrated by the annual FiRe awards organized by the Institute of Certified Public Accountants of Uganda (ICPAU) (Bananuka et al., 2021). According to ICPAU, except for 2013, 2015, and

2020, commercial banks and insurance companies consistently won the best sustainability report award from 2012 to 2020. However, it has been noted that out of the 25 commercial banks in Uganda, only a few, such as Centenary Bank, Stanbic Bank, and DFCU Bank, have included ESG disclosures in their financial reports (Taurigana, 2021). This suggests that the practice of including ESG disclosures in the annual reporting process among financial institutions in Uganda is still low. Some commercial banks have failed to meet minimum environmental, social, and governance standards and, as a result, have not made relevant disclosures regarding these activities (Bank of Uganda, 2023). Additionally, ESG sustainability is voluntary, as commercial banks and insurance companies have no legal requirement to disclose sustainability matters in their reports to stakeholders (Akware, 2023). Given all these advantages and challenges, it is against this background that the researcher carried out this research.

1.3 Statement of the Problem

ESG integration can improve a company's non-financial performance metrics, including customer satisfaction, market receptiveness, reduced debt costs, and the societal value it delivers to stakeholders. This can lead to a competitive advantage for the firm over time (Mohammad & Wasiuzzaman, 2021). In Uganda, the government has emphasized the significance of companies incorporating environmental, social, and governance practices to achieve NDPIII targets and the Sustainable Development Goals (SDGs) (NDPIII, 2020). However, commercial banks and insurers have not taken sufficient action to incorporate ESG factors into their operational processes and strategic management approach (BOU, 2020). Commercial banks lack transparency and comparability in climate transition, ESG methodologies, and metrics (OECD, 2022). Additionally, insurers have not actively participated in ESG activities or disclosed their engagement in these activities publicly (BOU, 2022; Ashraf et al., 2022). The failure to implement ESG practices

among banks and insurers, combined with the increasing impacts of climate change, may be attributed to inadequate risk management (Landi et al., 2022) and a lack of engagement with stakeholders (Vural- Yavaş, 2021). Therefore, this study examined the relationship between risk management, stakeholder engagement, and ESG sustainability in commercial banks and insurers in Uganda.

1.4 Purpose of the Study

This study investigated the relationship between risk management, stakeholder engagement, and ESG sustainability among commercial banks and insurers in Uganda.

1.5 Objectives of the Study

i. To examine the relationship between risk management and ESG sustainability among commercial banks and insurers in Uganda.
ii. To investigate the relationship between stakeholder engagement and ESG sustainability among commercial banks and insurers in Uganda.
iii. To examine the combined effect of risk management and stakeholder engagement on ESG sustainability among commercial banks and insurers in Uganda.

1.6 Research Questions

i. What is the relationship between risk management and ESG sustainability among commercial banks and insurers in Uganda?
ii. What is the relationship between stakeholder engagement and ESG sustainability among commercial banks and insurers in Uganda?
iii. What is the combined impact of risk management and stakeholder engagement on ESG sustainability among commercial banks and insurers in Uganda?

1.7 Scope of the Study

1.7.1 Subject Scope

This study focused on the impact of risk management and stakeholder engagement (Independent variables) on the ESG sustainability (dependent variable) of commercial banks and insurers in Uganda.

1.7.2 Geographical Scope

The study was carried out on financial institutions in Uganda. The study concentrated on commercial banks and insurance companies because they serve as the backbone of the financial sector (Bank of Uganda, 2020; IRA, 2020).

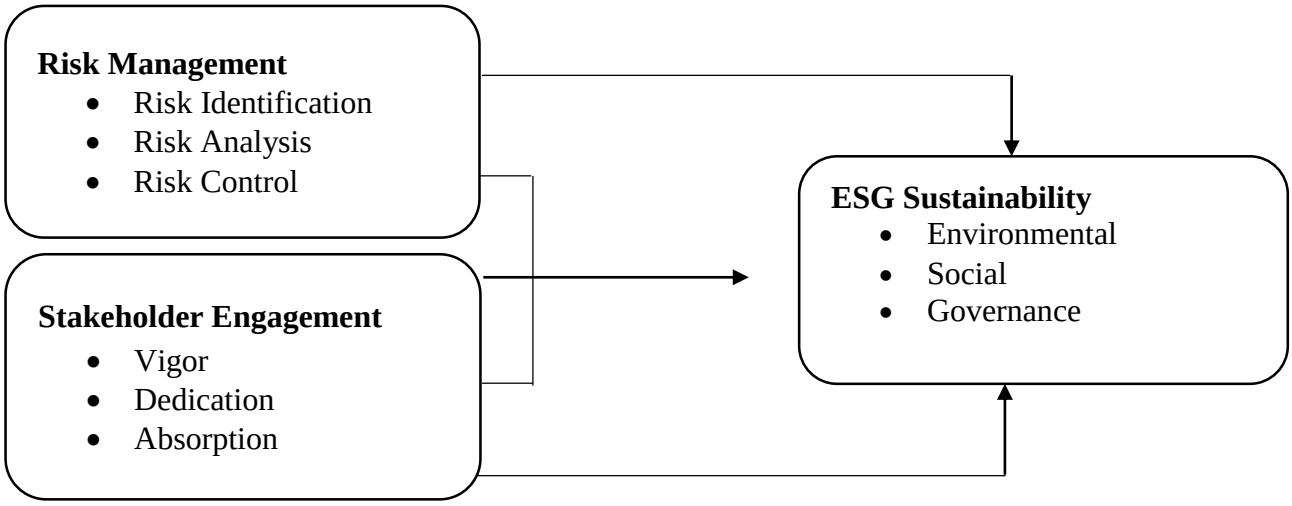
1.7.3 Time scope

The study was carried for a duration of 5 months from April to Sept 2024. The literature review covered a period of 12 years up to date. The researcher completed all the research processes within that time period

1.8 Significance of the Study

i. The research findings may provide valuable guidance for senior executives of commercial banks and insurers to enhance ESG sustainability within these organizations.
ii. This research may contribute to understanding risk management, stakeholder engagement, and ESG sustainability practices within Uganda's commercial banking and insurance sectors.
iii. The study may help students conceptualize the study variables and use them to identify the areas for further research.
iv. The study may act as a foundation for future academic research into the factors influencing the financial performance of insurers and commercial banks in the financial industry.

1.9 Conceptual Framework



Source: *Developed and modified by the researcher based on (Waterman & Tulirinya, 2021; Mohammad & Wasiuzzaman, 2021; Landi et al., 2022; Vural - Yavaş, 2021; Simões & Sebastiani, 2017; Loor Alcívar et al., 2020; Radzi et al., 2023; Izcan & Bektas, 2022)*

Description of the Conceptual Framework

This study was designed to treat the ESG sustainability of commercial banks and insurers as a dependent variable and risk management and stakeholder engagement as predictor variables. The framework illustrates that Risk management was measured by risk identification, analysis, and control (Waterman & Tulirinya, 2021; Crawford et al., 2014). Stakeholder engagement was measured by vigor, dedication, and absorption (Michelle, 2014; Bakker et al., 2010; Seppala et al., 2008). ESG sustainability among commercial banks and insurers was evaluated based on social, economic, and environmental factors, utilizing the frameworks by (Sebastiani, 2017; Loor Alcívar et al., 2020; Radzi et al., 2023; Izcan & Bektas, 2022). The conceptual framework above derives from the view that risk management and stakeholder engagement enhance the ESG sustainability of commercial banks and insurers in Uganda.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter covers the perspectives of previous scholars on the study variables, beginning with theoretical, conceptual, and empirical reviews. It demonstrates the interconnections between the study variables by the defined objectives.

2.2 Theoretical Review

To understand ESG sustainability, the study was based on Dowling and Pfeffer's (1975) legitimacy theory. According to legitimacy theory, a company must behave according to social norms and values to survive (Dowling & Pfeffer, 1975). The theory can explain why financial institutions (FIs) adopt sustainable reporting practices, like ESG, in response to the global demand for such practices. Legitimacy theory explains a company's behavior in developing and implementing voluntary environmental, social, and governance information disclosure (Baldini et al., 2018). Maintaining ESG can assist in lowering the knowledge gap and avoiding unfavorable selections, as executives adopt ESG sustainability to declare their social, environmental, and governance responsibility objectively (Meutia et al., 2022). According to legitimacy theory, a company must behave according to social norms and values to survive (Dowling & Pfeffer, 1975). Therefore, this study provides a solid basis for commercial banks and insurers in Uganda to achieve ESG sustainability.

he stakeholder theory, particularly as articulated by Freeman and Dmytriyev (2017), provides a compelling framework for understanding how effective stakeholder engagement contributes to Environmental, Social, and Governance (ESG) sustainability. Stakeholders may support a company's success if it can manage these connections successfully (Zhang et al., 2020). Drawing

on the stakeholder theory by Freeman and Dmytriyev (2017), it has been shown that ESG sustainability is enhanced through improved stakeholder engagement. All stakeholders that may influence the business performance, including shareholders, financiers, clients, consumers, communities, and other interested parties, must be considered by commercial banks and insurers in order to create long-term ESG sustainability value (Alsayegh et al., 2020). Businesses whose stakeholders participate in ESG sustainability initiatives will increase their long-term value by enhancing their reputation, meeting environmental and social duties, and fulfilling social commitments (Rezaee, 2016). stakeholder theory provides a vital lens through which to view ESG sustainability. By recognizing and actively engaging with all stakeholders, commercial banks and insurance companies can enhance their ESG practices, ultimately leading to improved performance, reputation, and long-term value. This integrated approach not only aligns with ethical and social responsibilities but also positions these institutions favorably in an increasingly sustainability-focused financial landscape. As such, prioritizing stakeholder engagement is essential for achieving meaningful and lasting ESG sustainability.

2.3 Environmental, Social, and Governance Sustainability

Companies that follow the concepts of ESG can optimize value for all stakeholders (Egorova et al., 2022). Because ESG sustainability is employed as a metric to assess companies according to corporate responsibility, it has become a crucial component of stakeholders' decision-making processes (Jama & Horstad, 2022). By putting into practice, a business plan that prioritizes the social, environmental, and governance aspects of conducting business, ESG sustainability seeks to generate long-term stakeholder value (Camilleri, 2017). According to Ashwin Kumar et al. (2016), ESG sustainability quantifies a company's long-term vulnerability to industrial material environmental, social, and governance risks. It describes the firm's governance in-depth, covering

board independence, operations, efficacy, and openness (Definitive, 2022; White, 2022). The triple notion of social, economic, and governance components combined into stakeholder management embodies ESG sustainability (Budsaratragoon & Jitmaneeroj, 2021).

The literature states that ESG sustainability comprises environmental, social, and governance components (Radzi et al., 2023; Izcan & Bektas, 2022; Emerick & Matos, 2020). The environmental dimension, according to Alareeni and Hamdan (2020), evaluates a company's efforts to safeguard the environment, including reducing carbon emissions and mitigating climate change, managing waste and pollution generated during production, making effective use of energy, and keeping an eye on deforestation and biodiversity. An organization's view of people and connections is reflected in the social dimension. Community engagement, staff involvement, gender and diversity concerns, consumer satisfaction, data security and privacy preservation, and observance of labor laws and human rights are all included (Buallay, 2019). According to Alareeni and Hamdan (2020), the governance component addresses bribery and corruption prevention, board composition, political contributions, executive compensation, lobbying, and whistleblower programs.

2.4 Risk Management

Risk management involves the process by which an organization identifies and addresses potential risks that could affect its operations, analyzes threats, considers alternatives, and decides whether to accept or mitigate those threats before they start impacting the organization's operations (Stanton, 2012). It may also be considered a management process that necessitates that a company evaluate the different risks that affect its worth and develop an organizational-wide plan to control such risks to increase productivity (Meulbroek, 2012). Banner et al. (2014) claim that risk management is a value-adding tactic to increase a company's profit by providing a thorough

overview of all risky activities, developing recovery plans, and routinely monitoring day-to-day operations. The steps in the risk management process are risk identification, risk analysis, and risk control, as stated in ISO 31000:2018. One of the main obstacles in risk management is the absence of systematic and distinctive risk detection techniques that provide particular project taxonomies based on lessons gained from comparable projects (Pellerin & Perrier, 2019).

2.5 Stakeholder Engagement

According to Erkul et al. (2016), stakeholder engagement recognizes and responds to stakeholders' needs, values, and concerns. Stakeholders can work together to improve comfort and quality of life, reduce negative project impacts, and increase project sustainability through a well-managed stakeholder engagement approach (Achman, 2013). According to Seppala et al. (2008), stakeholder engagement can be characterized by energy, dedication, and absorption. When used successfully, it can lead to improved performance. According to Schaufeli and Bakker (2003), vigor is defined as being fully charged with energy and resilience in one's work, even on a typical "dull" day when nothing particularly noteworthy occurs. It means remaining highly energized despite trying circumstances (Hallberg, 2005). Pride in one's work and the conviction that one's achievement matters are characteristics of dedication (Hallberg, 2006). It includes having a strong sense of purpose in one's job and feelings of inspiration, challenge, pride, and passion. The term "abstraction" refers to being absorbed in one's work, unaware of the outside world, and losing track of time, for example, failing to notice that a coffee break is about to end (Hallberg, 2006). According to Inceoglu and Warr (2012), it is typified by intense focus and fully immersing oneself in project activities, making it challenging to step back.

2.6 Risk Management and ESG Sustainability

Commercial banks and insurers that have succeeded attribute their accomplishments to effective risk management strategies, which involve identifying, analyzing, and controlling risks (Mwelu et al., 2023). These strategies enable firms to assess and quantify risks that could affect their environmental, social, and governance (ESG) sustainability (Leaver & Reader, 2016). In today's economic environment, ESG goals are increasingly important in shaping risk management frameworks, particularly within corporate social responsibility (CSR) issues (Landi et al., 2022). Previous studies indicate a close relationship between risk management and ESG sustainability. For example, Capelli et al. (2021) argue that analyzing CSR hazards may enhance financial risk assessment by fusing conventional risk management models with entropy analysis related to ESGs. In order to be effective, risk management systems must consider ESG risks when evaluating investment portfolios. For investors, considering ESG factors in investment decisions is mainly driven by risk management considerations. However, the integration of ESG is hindered by the lack of comparable, easily accessible, and high-quality quantitative ESG data (CFA Institute, 2017). Some research highlights the indirect association between ESG sustainability and a firm's risk profile because of the direct relationship between ESG and the complete financial capital structure involving equity and debt financing (Cai et al., 2016). The commitment to ESG as a risk mitigation factor has significant implications for the equity and bond markets. Consequently, the potential direct association between ESG advancements and default probability holds noteworthy implications for the debt financing market (Ghannadighomi et al., 2023).

2.7 Stakeholder Engagement and ESG Sustainability

Processes for engaging stakeholders improve public value. Information about how businesses create these procedures aids stakeholders in evaluating the legality and competitiveness of

businesses. This is especially important for the public utility industry, as building public trust is essential to creating value (Bonetti et al., 2023). Engaging stakeholders can help create value for stakeholders and society and may also be a source of competitive advantage (Stocker et al., 2022). In their study, Romero et al. (2019) discovered that integrated reports are less high-quality than sustainability reports. The results also showed that Spanish businesses communicate with all parties, not just shareholders. According to Barko et al.'s study from 2022, companies that include stakeholders usually have high stock turnover, are large and prominent, perform well, and have low ESG sustainability. ESG ratings are impacted by engagement. When companies with low ex-ante ESG ratings accede to activist demands, their ratings rise. However, when their ESG problems are made public, businesses with high ex-ante ESG ratings notice a drop in their rating. Furthermore, Dimson et al. (2015) found that participating companies had superior corporate governance prior to investor activism. Boubakri et al. (2016) state that the aggregate degree of these governance provisions varies between involved and non-involved organizations.

2.8 The Effect of Risk Management and Stakeholder Engagement on ESG Sustainability

The body of current literature demonstrates the impact of stakeholder involvement and risk management on ESG sustainability. For example, Vural-Yavaş (2021) discovered that businesses employ ESG practices as risk-reduction strategies during high uncertainty periods, much like they would with insurance. The findings support stakeholder theory by showing that companies improve their ESG sustainability practices to reduce corporate risk-taking and participate in value-adding activities in uncertain times, increasing stakeholder engagement. Higher investor uncertainty about business sustainability performance may result from different goals held by investors and investees, according to research by Landi et al. (2022). It is interesting to note that an overall ESG evaluation is linked to high systemic uncertainties for businesses. A corporate

environmental rating has an upward influence on the same risk dimension. According to research by Husted and de Sousa-Filho (2017), in-house and outsourced projects result in lower ESG performance than collaborative sustainability projects. Furthermore, they emphasized that country risk and stakeholder orientation are the two nation-level variables affecting these interactions. According to Rjiba et al. (2020), CSR involvement lessens the detrimental effects of EPU on business performance. According to Borghesi et al. (2019), companies that uphold social responsibility preserve their worth even in unpredictable times. Ongsakul et al. (2019) looked at the effect of managerial ownership on CSR under uncertainty to provide proof of the insurance-like role of CSR involvement. Their study found that in uncertain times, companies with higher managerial ownership tend to make larger investments in CSR. Additionally, Zhang et al. (2018) showed a favorable correlation between EPU and CSR activity for Chinese companies. According to their results, businesses can demonstrate their commitment to stakeholders by taking part in ESG initiatives when times are risky.

To summarize, the body of research mostly bolsters the idea that social and environmental responsibility is a type of insurance during uncertain times (Borghesi et al., 2019; Ongsakul et al., 2019; Rjiba et al., 2020). Companies are expected to increase their stakeholder participation in times of danger to take advantage of the protective feature of ESG sustainability, which validates management theories.

The existing literature robustly demonstrates the significant impact of stakeholder engagement and risk management on enhancing ESG sustainability. For instance, Vural-Yavaş (2021) highlights that businesses leverage ESG practices as risk-reduction strategies during periods of high uncertainty. Intriguingly, increased investor uncertainty regarding sustainability performance often arises from conflicting goals between investors and investees, as Landi et al. (2022) noted.

This misalignment can complicate assessing a company's ESG efforts, emphasizing the need for transparent communication and alignment of objectives among all stakeholders. From the researcher's perspective, companies must enhance their stakeholder participation during crises to leverage the protective aspects of ESG sustainability. This approach not only aligns with management theories but also positions firms favorably in an increasingly complex business environment. Going forward, it is critical to explore how financial institutions, particularly in Uganda, can adopt these insights to improve their ESG frameworks. By fostering deeper stakeholder engagement and integrating risk management practices, they can navigate uncertainties more effectively and contribute to sustainable development in the region.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The research design, study population, sample sizes and procedures, data sources and collecting tools, variable measurement, validity and reliability, data presentation and analysis, expected limits, and ethical issues are all covered in length in this chapter.

3.2 Research Design

This study used a cross-sectional survey design to analyze data collected from a population or a representative subset at a specific time (Mukyala et al., 2017). The study used a quantitative methodology to examine how Ugandan commercial banks and insurers relate to risk management, stakeholder engagement, and ESG sustainability. A regression design determined the extent to which the independent factors account for the dependent variable, while a correlation design clarified the relationship between the study's variables.

3.3 Population of the study

The study population included 27 licensed commercial banks (Bank of Uganda, 2024) and 33 insurance firms (IRA, 2024), giving a total population of 60 institutions (Appendix 2).

3.4 Sample size and sampling techniques

26 commercial banks and 32 insurance companies were sampled for the study using Krejcie and Morgan's (1970) sample determination table (Appendix 3). The study used a straightforward random sampling technique in which every institution had an equal chance of being chosen. This method involved writing all the banks and insurers on a separate piece of paper to form a sampling frame. The study also applied purposive sampling to select 1 respondent (board of directors or

director of legal affairs) per institution since they have appropriate knowledge about ESG sustainability.

The unit of analysis was commercial banks and insurers in Uganda. In contrast, the unit of inquiry was one participant (the board of directors or director legal affairs) directly involved in ensuring ESG sustainability in each selected organization. This is because this person is essential to the institution's decision-making process and is thought to know the organization's performance.

3.5 Data Sources

This study made use of both primary and secondary data. A questionnaire with closed-ended questions on 5-point Likert scales was used by the researcher to gather primary data. Additionally, recent reports on risk management, stakeholder engagement, and ESG sustainability among commercial banks and insurers in Uganda were used as secondary data sources.

3.6 Data collection instrument

A self-administered questionnaire was used to gather data from the participants. Since the study is quantitative, this questionnaire only included closed-ended items. Although some argue that open-ended questions can be quantified, close-ended questions are sufficient to fulfill the study objectives. The questionnaire method was chosen because it is necessary to obtain reliable data from many respondents within a short period (Mwesigwa, 2019). Additionally, this method is preferred for its cost-effectiveness and because it allows respondents to remain anonymous, promoting honesty, especially when sensitive topics are involved, as is the case in this study (Raudeliunine, 2018).

3.7 Measurement of Variables

The study examined the association between ESG sustainability among Ugandan commercial banks and insurers as the dependent variable and risk management and stakeholder engagement as independent variables.

- Risk management was assessed based on risk identification, analysis, and control using Watema & Tulirinya (2021) and Crawford et al. (2014).
- Stakeholder engagement was measured in terms of vigor, dedication, and absorption, drawing from the approaches (Michelle, 2014; Bakker et al., 2010; Seppala et al., 2008).
- ESG sustainability among commercial banks and insurers was evaluated based on social, governance and environmental factors, utilizing the frameworks by s & Sebastiani (2017), Loor Alcívar et al. (2020), Radzi et al. (2023), and Izcan & Bektas (2022), among others.

These metrics were tailored to the Ugandan context and modified from previously published works.

3.8 Reliability and Validity

The reliability of the questionnaire was assessed using the Cronbach Alpha coefficient, and the validity of the items in terms of their relevance and clarity was assessed using the CVI. The results of reliability and validity are presented in Table 3.1 below

Table 3.1: Reliability and Validity Analysis

Variable	No. of items	Cronbach alpha	Content Validity Index
Risk management	18	0.845	0.857
Stakeholder engagement	15	0.717	0.750
ESG sustainability	29	0.804	0.828

Source: primary data

Table 3.1's results demonstrated that every variable included in the study had dependable items because each variable's Cronbach's alpha statistic was higher than the 0.70 cutoff point

recommended by Nunnally and Nunnally (1978). The questions' relevance and clarity were assessed using the Content Validity Index, which is shown in table 3.1. Five knowledgeable individuals reviewed the research instrument to compute the Content Validity Index (CVI), including two academicians, two banking officials, and another knowledgeable person. The proposed instrument was submitted to the supervisor for assessment and approval in a pilot survey in Uganda to establish validity. Two experts received the questionnaire and evaluated each item's significance inside the tool. They then ranked each item on a 5-point scale, where 1 meant "strongly disagree," 2 meant "disagree," 3 meant "not sure," 4 meant "agree," and 5 meant "strongly agree." To ensure consistent responses, the questionnaire used a 5-point Likert scale.

3.9 Ethical Considerations

The researcher protected the respondent privacy. She told them up front that any data collected on personal matters will be handled with confidentiality and that the information they submit will only be utilized for academic purposes. To help the respondents better identify her, the Makerere University Business School sent her an introduction letter before to the data gathering exercise.

3.10 Data Processing and Analysis

Following data collection, the information was compiled, sorted, altered, categorized, and coded on a coding sheet. Statistical Package for Social Sciences (SPSS) version 23 was used to examine the connection between risk management, stakeholder engagement, and ESG sustainability in Ugandan commercial banks and insurers. Descriptive statistics, regression, and correlation were among the analysis's findings. The degree of correlation between the study variables was ascertained using Pearson's correlation coefficient. Multiple linear regression analysis was also carried out to ascertain the extent to which the independent factors may be responsible for the variance in the dependent variable.

CHAPTER FOUR

PRESENTATION AND INTERPRETATION OF RESULTS

4.1 Introduction

This chapter presents and interprets the findings. In particular, this chapter presents the findings of the regression analysis, the demographic features, the descriptive statistics of the study variables, and the correlation analysis of the study objectives.

The following research objectives serve as a guide for the analyses in this study: to investigate the connection between risk management and ESG sustainability among Ugandan commercial banks and insurers, to look into how Ugandan commercial banks and insurers relate to stakeholder involvement and ESG sustainability, and to investigate how Ugandan commercial banks and insurers' ESG sustainability is impacted by both risk management and stakeholder engagement.

The study indicates that out of there was 100% response rate whereby all the targeted 56 commercial banks and insurers responded to the questionnaire tool that was given to them.

4.2 Demographic Characteristics of respondents

In this section, information is provided regarding the demographic characteristics of the individuals who participated in the survey as respondents. The gender of the respondents, age group, number of years of work experience, and degree of education are some of the demographic variables that were discussed and analyzed.

Table 4.1: Showing Respondent Characteristics

Variable N=58	Description	Frequency	Percentage (%)
Gender	Male	31	53.4
	Female	27	46.6
	Total	58	100.0
Age group	20 - 29 years	10	17.2
	30 - 39 years	21	36.2
	40 - 49 years	20	34.5
	Above 50 years	7	12.1
	Total	58	100.0
Years worked	Less than 3 years	8	13.8
	3 - 6 years	18	31.0
	7 - 10 years	16	27.6
	More than 10 years	16	27.6
	Total	58	100.0
Education	Bachelor's Degree	32	55.2
	Masters	24	41.4
	PhD	2	3.4
	Total	58	100.0

***Source**: primary data*

The data in table 4.1 indicate that male respondents comprised the majority at 53.4% of the sample, while female respondents accounted for 46.6%. This suggests that commercial banks and insurers in Uganda employ both male and female professionals, predominantly male, in promoting ESG sustainability.

The data in Table 4.1 reveal that the predominant age group among respondents was 30–39 years (36.2%), followed by 40–49 years (34.5%), then 20–29 years (17.2%), with the least represented group being those aged 50 years and above (12.1%). This indicates that the bulk of individuals engaged in the ESG sustainability initiatives within commercial banks and insurance companies in Uganda belong to the active age demographic.

Table 4.1 revealed that the majority of respondents, 31%, had been employed by commercial banks and insurers in Uganda for 3-6 years, followed by 27.6% who had worked for 7-10 years, another 27.6% for over 10 years, and finally, 13.8% for less than 3 years. This indicates that the majority

of respondents have extensive experience with commercial banks and insurers in Uganda, thereby positioning them to offer insights on risk management, stakeholder engagement, and ESG sustainability.

The educational attainment of the respondents revealed that the majority held a bachelor's degree (55.2%), followed by those with a master's degree (41.4%), while individuals with a doctoral degree constituted 3.4% of the sample. This would imply that employees who participate in the activities of commercial banks and insurers in Uganda are literate. This type of workforce is assumed to know the elements of risk management, stakeholder engagement, and ESG sustainability.

4.3 Financial Institution Characteristics

This section presents information about the financial institution under study. The background information about the financial institution analysed include the category of the FI, number of years in existence, number of employees and revenues as shown in the Table 4.2 below.

Table 4.*2*: Showing Financial Institution Characteristics

Variable N=58	Description	Frequency	Percentage (%)
Category of the FI	Commercial Bank	26	45
	Insurance Institution	32	55
	Total	58	100.0
Years in operation	1 - 5 years	4	6.9
	6 - 10 years	8	13.8
	11 - 15 years	27	46.6
	20 years & above	19	32.8
	Total	58	100.0
Number of Employees	11 - 20 employees	2	3.4
	21 - 30 employees	7	12.1
	30 employees & above	49	84.5
	Total	58	100.0

*Source**: Primary Data***

The data in Table 4.2 indicates that 55% of the financial institutions belong to the insurance group, while 45% are classified as commercial banks. This indicates that the study sample included a greater proportion of insurance companies compared to commercial banks.

Table 4.2 indicates that the majority, 46.6%, of financial institutions have been operational for 11-15 years, followed by 32.8% for 20 years and above, 13.8% for 6-10 years, and only 6.9% for 1-5 years. This suggests that most commercial banks and insurers in Uganda have demonstrated longevity, thereby rendering the provided information reliable.

It was further noted that the majority of commercial banks and insurers in Uganda employed 30 or more individuals (84.5%), followed by 12.1% with 21-30 employees, and only 3.4% with 11-20 people. Meaning that most commercial banks and insurers in Uganda have enough employees to ensure ESG sustainability through risk management and stakeholder engagement.

4.4 Descriptive Statistics

Table 4.3 displays the summary descriptive statistics for the independent and dependent variables that were part of the analyses. Risk management and stakeholder engagement are the independent factors in this study, while ESG sustainability among Ugandan commercial banks and insurers is the dependent variable. Checking whether the calculated means accurately reflect the observed data—that is, whether the mean is a decent representation of reality—is the goal of descriptive statistics (Field, 2009 & Saunders et al., 2007). The table below summarizes the observed data using the variables' descriptive statistics, which include means, standard deviations, and minimum and maximum values.

Table 4.3: Descriptive Statistics

	N	Mini	Max	Mean	Std. Dev
Risk Identification	58	2.00	5.00	4.1483	.50061
Risk Analysis	58	2.00	5.00	4.2241	.58369
Risk Control	58	2.00	4.71	4.0887	.55929
Risk Management	**58**	**2.56**	**4.67**	**4.1504**	**.39559**
Vigor	58	1.60	5.00	3.9793	.60720
Dedication	58	3.40	5.00	4.2655	.40068
Absorption	58	2.20	5.00	3.9483	.58587
Stakeholder Engagement	**58**	**3.20**	**4.73**	**4.0644**	**.35452**
Environmental	58	2.90	5.00	4.2414	.31735
Social	58	3.10	5.00	4.2190	.32684
Governance	58	2.89	5.00	4.2452	.34436
ESG Sustainability	**58**	**3.45**	**4.55**	**4.2348**	**.23311**

Source: primary data

According to the results in table 4.3 above, Ugandan commercial banks and insurers had mean scores of 4.150, 4.064, and 4.235 for risk management, stakeholder engagement, and ESG sustainability, respectively. In Uganda, commercial banks and insurers had standard deviations of 0.3956, 0.3545, and 0.2331 for risk management, stakeholder engagement, and ESG sustainability, respectively. The computed means accurately reflect the observed data, and the standard deviations were very minor when compared to the mean values (Nkundabanyanga, Tauringana & Muhwezi 2015; Field, 2009).

SD is the degree to which respondents' opinions deviate from the mean scores. When the SD is less than 1 and approaches 0, it indicates that the opinions expressed in the study were uniform. Conversely, a greater SD suggests that there were differing viewpoints regarding the response that

was supplied (SD over 1). The responders were in agreement with the question posed if the mean was greater than 3. Given that their means are all above 3.00 and their standard deviations are all below 1.00, all of the respondents in this survey concur that risk management and stakeholder engagement are crucial in determining ESG sustainability among Ugandan commercial banks and insurers.

4.5 Correlation Analysis

Table 4.4 displays the correlation results. To determine the associations between the predictor variables (risk management and stakeholder engagement) and the outcome variable (ESG sustainability among Ugandan commercial banks and insurers), Pearson's correlation coefficient analysis was performed. Assessing if there were linear correlations between the predictor and outcome variables was the goal. Since Pearson's correlation coefficient (r) is a parametric statistic that necessitates interval data for both variables, it was employed (Garson, 2012). To determine the strength and direction of the association between the research variables, bivariate-correlation analyses were conducted and Pearson correlation coefficients were produced (Field 2009).

Table 4.4: Correlations Analysis

	1	2	3	4	5	6	7	8
Risk Identification (1)	1							
Risk Analysis (2)	.166	1						
Risk Control (3)	.212	.356**	1					
Risk Management (4)	.550**	.746**	.800**	1				
Vigor (5)	.116	.361**	.186	.321*	1			
Dedication (6)	.094	.189	.258	.268*	.107	1		
Absorption (7)	-.093	.065	.014	.007	.228	.095	1	
Stakeholder Engagement (8)	.051	.313*	.211	.288*	.737**	.490**	.717**	1
Environmental (9)	-.042	.251	.069	.147	.303*	.171	.140	.315*
Social (10)	-.056	.249	.347**	.293*	.288*	.298*	.014	.285*
Governance (11)	.152	.079	.239	.224	.077	.215	.077	.168
ESG Sustainability (12)	.023	.274*	.310*	**.313***	.317*	.323*	.108	**.362****

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Source: primary data

4.5.1 Risk Management and ESG Sustainability

Results from Table 4.4 above indicates a significant and positive relationship between risk management and ESG sustainability among commercial banks and insurers in Uganda (r=.313*, p=0.05). This means that a positive change in risk management leads to a positive change in ESG sustainability among commercial banks and insurers in Uganda. Also, the individual dimensions of risk management (risk identification, risk analysis, and risk control) are positive and significantly associated with ESG sustainability among commercial banks and insurers in Uganda. This implies that when commercial banks and insurers identify risks, analyse, and control risks

during their operations, they will achieve ESG sustainability. Thus, objective one of the study is achieved.

4.5.2 Stakeholder Engagement and ESG Sustainability

Results from table 4.4 above indicates that there is a significant and positive relationship between stakeholder engagement and ESG sustainability among commercial banks and insurers in Uganda ($r=.362^{**}$, $p<.01$) and this means that an improvement in stakeholder engagement leads to improvement in ESG sustainability among commercial banks and insurers in Uganda. Also, the individual dimensions of stakeholder engagement (vigor, dedication, and absorption) are positive and significantly associated with ESG sustainability among commercial banks and insurers in Uganda. Therefore, this explains further that when commercial banks and insurers in Uganda encourage vigor, dedication, and absorption among their employees during execution of works, they will attain ESG sustainability. Thus, objective two of the study is achieved

4.6 Regression analysis

The ability of the independent factors to predict the dependent variable is known as regression. The degree to which stakeholder involvement and risk management predict ESG sustainability across Ugandan commercial banks and insurers was ascertained using a regression model. The findings are shown in Table 4.5. The adjusted R2 value should ideally be equal to or very near the value of R2 since it provides insight into how well the regression model generalizes the study variables. The regression analysis findings are displayed in Table 9 below.

Table 4.5: Regression results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.884	.391		7.370	.000
	Risk Management	.134	.075	.228	1.786	.080
	Stakeholder Engagement	.195	.084	.297	2.326	.024
	R=.423[a], R^2=.179, Adjusted R^2=.149, F=5.995, Sig=.004, e=.215033					

a. Dependent Variable: ESG Sustainability

Source: Primary Data

The results in Table 4.5 show that risk management and stakeholder engagement predict 14.9% of the variance in ESG sustainability among commercial banks and insurers in Uganda (Adjusted R Square =.149). This means that, there are other factors which explain the remaining 85.1% of the variance in ESG sustainability among commercial banks and insurers in Uganda. The R^2 of .179 shows that 17.9% of ESG Sustainability variance is accounted for by Risk Management and Stakeholder Engagement. It was also noted that stakeholder engagement (Beta = .297, sig. =.024) is a better predictor of ESG sustainability among commercial banks and insurers in Uganda than risk management (Beta = .228, sig. =.080). This implies that management of commercial banks and insurers in Uganda should put much emphasis on stakeholder management through encouraging vigor, dedication, and absorption among their employees during execution of works in order attain ESG sustainability. The results (Beta = .228, sig. = .080) indicate the relationship between risk management and ESG sustainability. A one-unit increase in risk management is associated with a 0.228 increase in ESG performance, assuming other factors remain constant. The effect size is moderate, suggesting that risk management contributes to ESG performance, but it is not a dominant factor. The regression model in this case was statistically significant (sig. <.000).

CHAPTER FIVE

DISCUSSION OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter covers the detailed discussion of the findings guided by the objectives of the study, the chapter also covers the conclusions, recommendations, limitations and suggested areas for further research. These are presented below.

5.2 Discussion of Findings

This study aimed at examining the relationship between risk management and ESG sustainability among commercial banks and insurers in Uganda, investigating the relationship between stakeholder engagement and ESG sustainability among commercial banks and insurers in Uganda, examining the combined effect of risk management and stakeholder engagement on ESG sustainability among commercial banks and insurers in Uganda as discussed below;

5.2.1 Risk Management and ESG Sustainability

The results demonstrate a positive and significant correlation between risk management and ESG sustainability within commercial banks and insurers in Uganda. The correlation results demonstrate that risk identification, risk analysis, and risk control are positively and significantly associated with ESG sustainability in commercial banks and insurers in Uganda. The regression analysis indicates a positive but not statistically significant relationship between risk management and ESG sustainability among commercial banks and insurers in Uganda. A one-unit increase in risk management is associated with an increase in ESG performance, assuming other factors remain constant, reflecting a moderate effect size. However, the significance level (sig. = .080) exceeds the 0.05 threshold, suggesting that the relationship is not statistically significant at the 5% level. Despite this, the study finds that risk identification, risk analysis, and risk control are

positively associated with ESG sustainability, indicating that robust risk management practices contribute to sustainability outcomes, though not dominantly. Commercial banks and insurers in Uganda demonstrate thorough risk identification, employ diverse risk assessment techniques, maintain systems to measure risk impacts, analyze opportunities to achieve objectives, implement clear mitigation strategies, communicate risk controls effectively, and execute these controls proficiently.

The findings are in agreement with the previous studies for example in their study Mwelu et al (2023) stated that commercial banks and insurers that have succeeded attribute their accomplishments to effective risk management strategies of identifying, analyzing, and controlling risks, can assess and quantify risks that could affect their environmental, social, and governance (ESG) sustainability (Leaver & Reader, 2016). Additionally, Landi et al (2022) said that in today's economic environment, ESG goals are increasingly important in shaping risk management frameworks, particularly within corporate social responsibility (CSR) issues. These results were generally in support of the current findings of this study.

5.2.2 Stakeholder Engagement and ESG Sustainability

The results demonstrate a positive and significant correlation between stakeholder involvement and ESG sustainability within commercial banks and insurers in Uganda. The correlation results reveal that vigor, devotion, and absorption have a positive and substantial relationship with ESG sustainability among commercial banks and insurers in Uganda. The regression analysis demonstrates that risk stakeholder engagement significantly predicts ESG sustainability in commercial banks and insurers in Uganda. It is thus important for the management of commercial banks and insurers in Uganda to emphasize stakeholder management through encouraging vigor, dedication, and absorption among their employees during execution of works in order attain ESG

sustainability. It is evident in this study that employees of commercial banks and insurers in Uganda feel that they are bursting with energy of work, feel fit and strong while at work, are very resilient mentally and strong, feels like the job has full meaning and purpose to them, are enthusiastic about the tasks they must accomplish for the firm, are inspired by their department goals and enjoy being a part of the firm, feel happy when working intensively to sustain the company system, and get carried away when working with the work team. Thus, achieving the desired level of ESG sustainability among commercial banks and insurers in Uganda.

The findings of this study are consistent with the findings of the previous researchers for example, in their study Stocker et al (2022) stated that engaging stakeholders can help create value for stakeholders and society and may also be a source of competitive advantage. In their study, Romero et al. (2019) discovered that integrated reports are less high-quality than sustainability reports. According to Barko et al (2022) ESG ratings are impacted by engagement. When companies with low ex-ante ESG ratings accede to activist demands, their ratings rise. These results were generally in support of the current findings of this study.

5.2.3 Effect of risk management and stakeholder engagement on ESG sustainability

The study results indicate that risk management combined with stakeholder engagement positively and significantly predict ESG sustainability among commercial banks and insurers in Uganda. This is evidenced by the predictive potential of risk management and stakeholder engagement to attaining ESG sustainability among commercial banks and insurers in Uganda given by (Adjusted R Square =.149). therefore, it is important that for management of commercial banks and insurers in Uganda to emphasize both risk management and stakeholder engagement in order to improve their employee wellbeing. Much emphasis should be given stakeholder management through vigor, dedication, and absorption since it emerged a better predictor of ESG sustainability.

These findings of are consistent with the literature of Vural-Yavaş (2021) who discovered that businesses employ ESG practices as risk-reduction strategies during high uncertainty periods, much like they would with insurance. The findings support stakeholder theory by showing that companies improve their ESG sustainability practices to reduce corporate risk-taking and participate in value-adding activities in uncertain times, increasing stakeholder engagement. Intriguingly, Landi et al. (2022) noted that increased investor uncertainty regarding sustainability performance often arises from conflicting goals between investors and investees.

5.3 Conclusion

The study aimed to analyze the correlation between risk management and ESG sustainability, explore the relationship between stakeholder engagement and ESG sustainability, and assess the combined impact of both on ESG sustainability among commercial banks and insurers in Uganda. These objectives were achieved through a questionnaire survey of 58 commercial banks and insurance companies in Uganda. The findings indicate that the independent variables risk management and stakeholder engagement explain 14.9% of the variance in ESG sustainability within this sector. Notably, stakeholder engagement emerged as a strong predictor of ESG sustainability, underscoring the need for management to prioritize stakeholder management by fostering vigor, dedication, and absorption among employees to achieve desired ESG outcomes. Conversely, while risk management, encompassing risk identification, analysis, and control, showed a positive association with ESG sustainability, its effect was not statistically significant at the 5% level. This suggests that while robust risk management practices contribute to sustainability, their impact may be less pronounced or context-dependent compared to stakeholder engagement. Overall, the findings highlight that effective stakeholder engagement, alongside consistent risk management practices, can meaningfully enhance ESG sustainability among

commercial banks and insurers in Uganda, though further efforts are needed to strengthen the influence of risk management.

5.4 Recommendations

i. The study recommends that Commercial banks and insurers in Uganda should emphasize stakeholder management to enhance ESG sustainability. This can be achieved by fostering employee engagement through strategies that promote vigor, dedication, and absorption in their roles. These approaches will ensure employees are actively involved in aligning organizational goals with stakeholder interests, fostering trust and collaboration.

ii. Commercial banks and insurers in Uganda should ensure that their stakeholder engagement strategies are inclusive, addressing the needs of diverse groups, including vulnerable and underrepresented stakeholders. Initiatives such as community outreach programs, financial literacy campaigns, and accessible communication channels can demonstrate a commitment to stakeholder well-being, ultimately contributing to ESG sustainability.

iii. Banks and insurers should adopt digital tools and platforms to streamline stakeholder interactions. This includes using data analytics to understand stakeholder needs, automating feedback mechanisms, and creating digital engagement forums. These tools can enhance transparency, responsiveness, and trust, thereby fostering stronger relationships with stakeholders.

iv. The study also recommends that commercial banks and insurers in Uganda should enhance their risk management through improving their risk identification, risk analysis, and risk control during their operations in order to achieve the desired level of ESG sustainability. This can be achieved by adopting to new skills, knowledge, and capacities to perform risk management activities to achieve the desired level of ESG sustainability.

5.5 Study limitations

i. The researcher adapted a cross-sectional research design signifies that the study could not capture employee's perception that may have occurred for a long period of time. However, this was dealt with by carrying out reliability and validity tests.

ii. Using a quantitative design, the researcher employed closed-ended questions, which could not cover perceptions and opinions from respondents. This was handled by using measured and validated questionnaires which were designed by other researchers.

iii. The results will be limited to commercial banks and insurers in Uganda and may not fully represent the perspectives of all other firms. Future research should include other firms in the country and other national settings.

5.6 Areas for further research

A study on risk management, stakeholder engagement, and ESG sustainability in sectors such as governmental institutions, private entities, SMEs, and NGOs is required. A qualitative study and mixed research methodologies must be undertaken on risk management, stakeholder engagement, and ESG sustainability within commercial banks and insurers in Uganda to collect respondents' perspectives on these variables. Additional research may be undertaken to identify other predictors of ESG sustainability among commercial banks and insurers in Uganda, as the independent variables currently account for just 14.9% of the variance.

References

Afzali, H., and Kim, S. S. (2021). The article by Afzali and Kim presents the mediating role of CSR authenticity in consumers' responses to corporate social responsibility: Sustainability, 13(4), 2224.

Akware, E. M. (2023). The scope and challenges of environmental sustainability reporting in developing countries are evaluated through a study of telecommunications corporations in Kenya and Uganda.

Alsayegh, M. F., Abdul Rahman, R., and Homayoun, S. (2020). The article by Alsayegh et al. examines the impact of ESG disclosure on the economic, environmental, and social sustainability performance of corporations. Sustainability, 12(9), 3910.

An, Y., Davey, H., and Eggleton, I. R. (2011). An, Davey, and Eggleton's article suggests a comprehensive theoretical framework for voluntary IC disclosure. Journal of Intellectual Capital, 12(4), 571-585.

Ashraf, D., Rizwan, M. S., and L'Huillier, B. (2022). The work of Ashraf, Rizwan, and L'Huillier investigates the integration of environmental, social, and governance factors in microfinance institutions. Accounting & Finance, 62(1), 837-891.

Bananuka, J., Nkundabanyanga, S. K., Kaawaase, T. K., Mindra, R. K., and Kayongo, I. N. (2022). Bananuka et al. investigate the influence of intellectual capital and gender diversity on the adherence to GRI standards in Uganda. Journal of Accounting in Emerging Economies, 12(5), 840-881.

(2021). Bank of Uganda. In 2021, the financial stability report was reviewed by the Bank of Uganda.

Barko, T., Cremers, M., and Renneboog, L. (2022). Barko, Cremers, and Renneboog's article emphasizes the significance of shareholder engagement in the efficacy of environmental, social, and governance initiatives. Journal of Business Ethics, 180(2), 777-812.

Bonetti, L., Lai, A., and Stacchezzini, R. (2023). Bonetti, Lai, and Stacchezzini employ evidence from Italian ESG reports to examine the participation of stakeholders in the public utility industry (Utilities Policy, 84, 101649).

Brown, J. A., and Forster, W. R. (2013). In the paper by Brown and Forster, the relationship between stakeholder theory and CSR is investigated. 112. Journal of Business Ethics, pp. 301–312.

Chiaramonte, L., Dreassi, A., Girardone, C., & Piserà, S. (2022). In the article by Chiaramonte, Dreassi, Girardone, and Piserà, evidence from Europe is employed to determine whether ESG strategies improve bank stability during financial turmoil. The European Journal of Finance, 28(12), 1173-1211.

Creswell, J. W. (2014). Creswell's Research Design: Qualitative, Quantitative, and Mixed Methods Approaches, fourth edition, was published by Sage in Thousand Oaks, CA.

Freeman, R. E., and Dmytriyev, S. (2017). The article by Freeman and Dmytriyev presents a discussion of the social responsibility of corporations and stakeholder theory in the context of learning from each other. Symphony. Emerging Issues in Management, (1), pp. 7–15.

Freeman, R.E. (1984). In 1984, Prentice-Hall published Strategic Management: A Stakeholder Perspective in Upper Saddle River, NJ, USA.

Ghannadighomi, N., Johansson, E., and Saliba, B. (2023). Ghannadighomi, Johansson, and Saliba's empirical study investigates the moderation influence of environmental innovation on the relationship between ESG and firm performance in Nordic countries.

Global Sustainable Investment Alliance (GSIA). (2019). In 2018, the Global Sustainable Investment Review was published in Sydney, Australia by GSIA.

Guthrie, J., and Parker, L. D. (1989). Corporate social reporting is refuted in the context of legitimacy theory in the article by Guthrie and Parker. Accounting and business research, 19(76), 343–352.

Hahn, R., and Kühnen, M. (2013). In the article by Hahn and Kühnen, the determinants of sustainability reporting are reviewed, and the results, trends, theory, and opportunities in the expanding field of research are discussed. Journal of Cleaner Production, 59, 5-21.

Husted, B. W., and de Sousa-Filho, J. M. (2017). Husted and de Sousa-Filho's research examines the influence of country risk, sustainability governance, and stakeholder orientation on ESG performance. Journal of Cleaner Production, 155, 93-102.

Izcan, D., and Bektas, E. (2022). In their article, Izcan and Bektas investigate the correlation between Eurozone banks' firm-specific risk and their ESG scores: Sustainability, 14(14), 8619.

Khan, M., Serafeim, G., and Yoon, A. (2016). Khan, Serafeim, and Yoon's research provides the initial evidence of the materiality of corporate sustainability. The Accounting Review, 91(6), 1697-1724.

Kim, Y., Park, M. S., and Wier, B. (2012). Kim, Park, and Wier investigate the correlation between earnings quality and corporate social responsibility in their article. The Accounting Review, 87(3), 761-796.

Koh, H. K., Burnasheva, R., and Suh, Y. G. (2022). Koh, Burnasheva, and Suh's research explores the perceived ESG and its influence on consumers' responses through perceived quality, brand image, and brand trustworthiness. Sustainability, 14(8), 4515.

Krejcie, R. V., and Morgan, D. W. (1970). Krejcie and Morgan's article addresses the determination of the appropriate sample size for research purposes. Educational and Psychological Measurement, 30, 607-610.

Landi, G. C., Renzi, A., Iandolo, F., and Rey, A. (2022). Sustainability is incorporated into risk management, which in turn influences corporate financial risk through environmental, social, and governance ratings. Corporate Social Responsibility and Environmental Management, 29(4), 1096-1107.

Leaver, M., and Reader, T. W. (2016). Non-technical skills are necessary for managing risk and performance in financial transactions. Journal of Risk Research, 19(6), 687–721.

Lys, T., Naughton, J. P., and Wang, C. (2015). Corporate accountability reporting functions as a signal. Journal of accounting and economics, 60(1), 56–72.

Mohammad, W. M. W., and Wasiuzzaman, S. (2021). The performance and competitive advantage of firms in Malaysia are influenced by the disclosure of Environmental, Social, and Governance (ESG) factors: Cleaner Environmental Systems, 2, 100015.

Mukyala, V., Bananuka, J., Basuuta, M., Tumwebaze, Z., and Bakalikwira, L. (2017). "Accountability of local government authorities: a developing economy perspective," African Journal of Business Management, Vol. 11, No. 12, pp. 266–274.

Mwelu, N., Watundu, S., and Moya, M. B. (2023). The relationship between outsourcing and the profitability of manufacturing enterprises is mediated by risk management. Journal of Mechanical and Construction Engineering (JMCE), 3(2), 1–7.

Nunnally, J.C. (1978). 2nd Edition, McGraw-Hill, New York. Psychometric theory.

Radzi, S. H. M., Hamid, N. A., and Ismail, R. F. (2023). Environmental, Social, and Governance (ESG) are factors that impact the performance of companies—European Proceedings of Social and Behavioural Sciences.

Rezaee, Z. (2016). Business sustainability research presents a theoretical and integrated perspective. Journal of Accounting Literature, 36(1), 48–64.

Romero, S., Ruiz, S., and Fernandez-Feijoo, B. (2019). In Spain, stakeholder engagement is associated with sustainability reporting, which is characterized by varying instruments and quality. Business Strategy and the Environment, 28(1), 221-232.

U. (2012). Social Investment Forum (SIF). Trends in sustainable and responsible investing in the United States are reported. U.S. SIF.

Taliento, M., Favino, C., and Netti, A. (2019). Corporate "sustainability advantage" from Europe is demonstrated by the influence of environmental, social, and governance information on economic performance: Sustainability, 11(6), 1738.

Teddlie, C., and Yu, F. (2007). Mixed methods sampling: A typology with examples. Journal of Mixed Methods Research, 1(1), 77-100.

UCCA (2023). Submission to the Working Group on Business and Human Rights: Investors, ESGs, and Human Rights. http://www.ohchr.org/sites/default/files/document

Vural-Yavaş, Ç. (2021). Environmental, social, and governance practices, stakeholder engagement, and economic policy uncertainty are interconnected, with competition serving as a moderating factor. Corporate Social Responsibility and Environmental Management, 28(1), 82-102.

Walton, D. (2019). Refinitiv's report on the expansion of sustainable investing in Asia has been accessible online since 2018 (accessed on January 3, 2019).

Appendix 1: Questionnaire

MAKERERE UNIVERSITY BUSINESS SCHOOL

Risk Management, Stakeholder Engagement and ESG Sustainability of Commercial Banks and Insurers in Uganda.

Dear Sir/Madam,

I am Ahimbisibwe Susan, a student pursuing a master's degree in business administration (MBA) at Makerere University. I am conducting a study on the above topic and humbly request you to spare some of your valuable time to fill out this questionnaire for me. The purpose of this study is entirely for academic purposes. Therefore, all the information given will be treated with the highest level of confidentiality. Thank you in advance for the time you have agreed to participate in this study.

SECTION A-1: Respondent Information: (Please tick one appropriate category).

a) **Gender:**
Male ☐ Female ☐

b) **Age:**
20-29 years ☐ 30-39 years ☐ 40-49years ☐ 50years and above ☐

c) **Numbers of years worked:**
Less than 3 years ☐ 3-6 years ☐ 7-10 years ☐ More than 10 years ☐

d) **Highest education attained**
Diploma ☐ Bachelor's Degree ☐ Masters ☐ PhD ☐

SECTION A-2: Firm Characteristics

e) **Category of financial institution**
Commercial bank ☐ Insurance institution ☐

f) **Number of years in operation**
1-5 years ☐ 6-10years ☐ 11-15years ☐ 20years &above ☐

g) **Number of employees**
1-10employees ☐ 11-20employees ☐ 21-30employees ☐ 30employees & above ☐

h) **Revenue base**
200-400millions ☐ 401-600millions ☐ 601-800millions ☐
801million-1billion ☐ Above 1billion ☐

SECTION B

The table below shows the alternative responses and the number assigned to each response. For sections B – D, please evaluate the statement by ticking in the box with the number that best suits your response. The options are.

Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree
5	4	3	2	1

SECTION B: Risk Management

Ri	*Risk Identification*	*1*	*2*	*3*	*4*	*5*
Ri1	Our institution carries out comprehensive identification of risks					
Ri2	We carry out pre-feasibility studies of projects					
Ri3	There are separate procedures for the management of project works					
Ri4	Changes in risk are recognized and identified with the institution's rules and responsibilities					
Ri5	We use various techniques to identify risks					
Ra	*Risk Assessment*	*1*	*2*	*3*	*4*	*5*
Ra1	The institution has designed a system to measure appropriately the impact of the risks					
Ra2	The institution analyses and evaluates the opportunities that it has to achieve objectives					
Ra3	Our institution assesses the likelihood of occurring risk on a timely basis					
Ra4	There is a board concerned with the evaluation of project risks					
Ra5	The institution has proper risk assessment procedures in place					
Ra6	We assess risks using appropriate qualitative analysis methods					
Rc	*Risk Control*	*1*	*2*	*3*	*4*	*5*
Rc1	We design clear mitigation responses					
Rc2	Our risk controls are communicated					
Rc3	Our control of risk includes an assessment of costs and benefits					
Rc4	Our control of risks is effectively implemented					
Rc5	The project risk controls are cost-effective					
Rc6	The institution's risk controls include prioritizing risks and selecting those that need active management					
Rc7	The institution's response to risks includes action plans for implementing decisions about identified risks					

SECTION C: Stakeholder Engagement

Vgr	**Vigor**	*1*	*2*	*3*	*4*	*5*
Vgr1	At my department of work, I feel that I am bursting with energy.					
Vgr2	At my work, I feel fit and strong.					
Vgr3	At my work, I am very resilient, mentally.					
Vgr4	At my work, I can tolerate the pressure of my work well.					
Vgr5	I always persevere at my work even when things don't go well.					
Dcn	**Dedication**	*1*	*2*	*3*	*4*	*5*
Dcn1	My work has full meaning and purpose to me.					
Dcn2	I am enthusiastic about the tasks I must accomplish for the firm					
Dcn3	I am inspired by my department goals and I enjoy being a part of this firm.					
Dcn4	I am proud of my department's goals and the work I do.					
Dcn5	My work activities are challenging to me and motivate me to do a good job.					
Abs	**Absorption**	*1*	*2*	*3*	*4*	*5*
Abs1	I forget everything else around me when working on this health project.					
Abs2	I feel happy when I am working intensively to sustain my company system.					
Abs3	When I am working on the project, I am immersed in my work, and time flies so fast.					
Abs4	I get carried away when I am working with the work team					
Abs5	It is difficult to disengage myself from my company work.					

SECTION D: ESG Sustainability

Env	**Environmental**	*1*	*2*	*3*	*4*	*5*
Env1	The firm practices recycling pollutants and wastes.					
Env2	This firm invests in energy conservation.					
Env3	This firm offers eco-friendly services					
Env4	This firm sets out effluent treatment plant					
Env5	This firm is concerned with respecting and protecting the environment					
Env6	This firm exploits renewable energy in a productive process compatible with the environment					
Env7	This firm reduces its consumption of natural resources					
Env8	This firm communicates to its customers about its environmental practices					
Env9	This company conserves the environment					
Env10	Actions for environmental audit, public disclosure, employee training, and immunity are undertaken at the institution.					
Soc	***Social***	*1*	*2*	*3*	*4*	*5*
Soc1	This company shows its commitment to society by improving the welfare of the communities in which it operates					
Soc2	This company allocates part of its budget to help social causes					
Soc3	This company supports the culture and art activities of the local community					
Soc4	This company helps to enhance the quality of life in the local community					
Soc5	This company hardly tries to be a good citizenship					
Soc6	This company's operation is consistent with expectations of societal and ethical norms					
Soc7	This company prevents unethical behaviors to achieve organizational goals					
Soc8	The need to fund public initiatives is recognized by the institution					
Soc9	There is a large percentage of employees receiving regular career development reviews at the institution					
Soc10	Expected benefits in this community are met by the institution					
Gov	**Governance**	*1*	*2*	*3*	*4*	*5*
Gov1	This firm operates business in a manner consistent with expectations of government and law.					
Gov2	This firm obeys various federal, state, and local regulations.					
Gov3	This firm fulfills its legal obligation.					
Gov4	This firm meets minimal legal requirements related to goods and services.					
Gov5	This firm has a comprehensive code of conduct					
Gov6	This firm has a confidential procedure in place for customers to report misconduct during the service					
Gov7	This firm staff are required to provide accurate information to the customers					
Gov8	This firm is recognized as an ethically trustworthy company					
Gov9	This company has a strong competitive position					

Thank You for Your Corporation

Appendix 2: Financial Institution Subsector

LICENCED COMMERCIAL BANKS

1	ABC Capital Bank Limited
2	Bank of Africa (U) Limited
3	Absa Bank (U) Limited
4	Bank of Baroda (U) Limited
5	Bank of India (U) Limited
6	Cairo Bank Limited
7	Centenary Bank Limited
8	Citibank (U) Limited
9	Opportunity Bank of Africa (U) Ltd
10	DFCU Bank Limited
11	Ecobank (U) Limited
12	Equity Bank (U) Limited
13	Exim Bank (U) Limited
14	Finance Trust Bank
15	Guaranty Trust Bank(U) Ltd
16	Housing Finance Bank Limited
17	KCB Bank (U) Limited
18	Mercantile Credit Bank Limited
19	NCBA Bank (U) Limited
20	Orient Bank Limited
21	Stanbic Bank (U) Limited
22	Standard Chartered Bank (U) Limited
23	Tropical Bank Limited
24	United Bank for Africa (U) Limited
25	Diamond Trust Bank (U) Ltd
26	Uganda Development Bank
27	East African Development Bank

Source: BOU, 2024

INSURANCE COMPANIES- PERPETUALLY LICENSED

1. Alliance Africa General Insurance Limited
2. APA Insurance (Uganda) Limited
3. Britam Insurance Company (Uganda) Limited
4. CIC General Insurance Uganda Limited
5. Excel Insurance Company Limited
6. First Insurance Company Limited
7. GA Insurance Uganda Limited
8. Goldstar Insurance Company Limited
9. ICEA Lion General Insurance Company Ltd.
10. Jubilee Allianz General Insurance Company Limited
11. Jubilee Health Insurance Company of Uganda Limited
12. Liberty General Insurance Uganda Limited
13. Mayfair Insurance Company Uganda Ltd
14. MUA Insurance (Uganda) Limited
15. NIC General Insurance Company Limited
16. Pax Insurance Company Limited
17. Sanlam General Insurance (Uganda) Limited
18. Statewide Insurance Company Limited
19. TransAfrica Assurance Company Limited
20. UAP Old Mutual Insurance Company Uganda Limited
21. CIC Africa Life Assurance Limited
22. ICEA Lion Life Assurance Company (U) Limited
23. Jubilee Life Insurance Company of Uganda
24. Liberty Life Assurance Uganda Limited
25. NIC Life Assurance Company Limited
26. Prudential Assurance Uganda Limited
27. Sanlam Life Insurance Uganda Limited.
28. Old Mutual Life Assurance Uganda Limited
29. Grand Micro Insurance Limited
30. Edge Micro Insurance Limited
31. Turaco Micro Insurance Company Ltd
32. Padre Pio Micro Insurance Company Limited
33. Core Micro Insurance Uganda Ltd

Source: IRA, 2024