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Risk Management Strategies During the ERA of Global Financial Uncertainty

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Abstract. Financial sustainability, particularly in developing economies is a global concern. One key approach to sustainable finances is risk management. Effective risk management contributes to the stability and sustainability of financial systems, markets, and institutions. The purpose of this article is to investigate risk management strategies in the era of global financial uncertainty in Ghana. A quantitative research approach was employed. Both stratified sampling techniques and simple random sampling techniques were used to select 150 respondents. The respondents include 50 employees from five banks (10 each), 50 employees from 5 micro-finance institutions, (10 each) and 50 petty traders. To collect data, a questionnaire was developed containing close-ended questions, structured using a five-point Likert scale. The questions were framed covering three distinct sections such as available risk factors influencing financial institutions and businesses in Ghana, effects of risk factors on financial institutions and businesses, and risk management strategies. descriptive statistics such as Mean, Standard Deviation and Pearson Moment Correlation. The findings indicated that political instability, fluctuating global commodity prices, Exchange rate volatility and cybersecurity threats emerged as available risks affecting financial uncertainties in Ghana. While Political instability exhibits strong negative correlations with microfinance and traders, negative correlations between global commodity price fluctuations and traders signify vulnerability to market shifts. As a recommendation, encouraging innovation and entrepreneurship can unlock new sources of growth and resilience in Ghana's economy.

1. INTRODUCTION

Financial uncertainties in developing countries have global connotations. It is likely that the financial issues of one country indirectly affect the other. It is for this reason that the International Monetary Fund seeks to regulate the global economy, particularly during global financial uncertainties. In response to the prevailing global financial uncertainty, Ghana has strategically implemented risk management measures (Gakpo et al., 2020). It aims to fortify its economy and mitigate the repercussions of external instabilities. This arguably lies in the volatility of global commodity prices (Bellemare, 2015), impacting vital sectors like cocoa and oil. Simultaneously, the government has enacted fiscal policies to offset the effects of global oil price fluctuations on national revenue and expenditure (Sena et al., 2021). The susceptibility to foreign exchange risks due to Ghana's reliance on international trade calls for a prompt implementation of risk management strategies. The Bank of Ghana has tried to deploy monetary policies and foreign exchange interventions to stabilize the Ghanaian cedi in response to exchange rate fluctuations (Abdul-Aziz et al., 2021). Collaboration with international financial institutions is a testament to this effort, aiming to secure favourable terms and conditions.

The successive governments in Ghana have not relented in efforts against these uncertainties. An emphasis on economic diversification is apparent in Ghana's strategy to promote resilience amid global financial uncertainties. The government actively promotes sectors such as agriculture, manufacturing, and services (Jumpah et al.,2022), to reduce dependence on key sectors vulnerable to global shocks. The Planting for Food and Jobs program exemplifies Ghana's commitment to diversify its economy and enhance resilience against global uncertainties affecting food prices and supply chains (World Bank Group, 2019). These efforts including collaboration with regional and international bodies such as the Economic Community of West African States (ECOWAS) and the International Monetary Fund (IMF) facilitate information exchange. It is also significant in policy coordination, and access to financial support during challenging global economic conditions. This collaborative approach shows Ghana's commitment to navigating uncertainties through a combination of prudent fiscal policies, international cooperation, and targeted risk management measures.

However, Ghana grapples with persistent challenges stemming from fluctuating commodity prices, foreign exchange risks, and dynamic shifts in the global economic space (World Bank, 2023). The Ghanaian economy is susceptible to the volatility of global commodity prices, particularly in key sectors like cocoa and oil, emphasising vigilant risk management practices (Abaidoo et al., 2023). Notable examples include the introduction of hedging mechanisms in the cocoa industry and the judicious handling of oil revenue. In this context, there is a need for a more cohesive exploration of various factors affecting risk management. It appears that the Ghanaian economy is fragmented and lacking an integrated approach. This suggests a disconnect between understanding risk factors, staff attitudes towards risk management, regulatory influence, and practical strategy development. Addressing this gap requires a more holistic approach that considers the interconnectedness of these elements, offering a deeper understanding of effective risk management practices.

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1.1. Research Questions

This study was guided by the following research questions.

1. What risk factors influence financial institutions and businesses in Ghana?
2. How do staff members of public banks perceive the importance of the implementation of risk management practices within the financial sector?
3. What are the roles of the Securities and Exchange Commission in enhancing risk management practices in public banks?

2. LITERATURE REVIEW

2.1. Risk Factors Affecting Financial Institutions and Businesses

Financial institutions and businesses encounter risk factors that can significantly influence their stability, operations, and overall performance. These risks stem from various sources, both internal and external, necessitating a thorough understanding and adept management to ensure the resilience and sustainability of these entities.

Credit risk stands out as a significant factor influencing the stability of financial institutions (Lawrence et al., 2020), posing the potential for substantial losses when borrowers default on their repayment obligations. This risk is particularly evident when financial entities, such as banks, extend credit to businesses (Annor & Obeng, 2017). In this scenario, the inherent credit risk materializes if the businesses borrowing from the bank encounter financial challenges, such as economic downturns or unexpected market fluctuations, which impede their ability to fulfil their repayment commitments. This vulnerability to borrower defaults emphasizes the importance of thorough credit assessments, ongoing monitoring, and the implementation of risk mitigation strategies to safeguard the financial health of lending institutions (Ishak et al., 2016). During economic downturns, businesses may experience a decline in revenue, making it challenging for them to meet their financial obligations, including loan repayments. In such instances, financial institutions must navigate the intricate balance between facilitating economic growth through lending and managing the inherent credit risk. Effective risk management strategies may involve diversifying the loan portfolio, setting prudent lending limits, and employing advanced credit scoring models to assess the creditworthiness of borrowers (Moussa, 2019). By proactively addressing credit risk, financial institutions can enhance their ability to weather economic uncertainties and contribute to the overall stability of the financial system.

Market risk poses a pervasive challenge to financial entities, emanating from the volatility in a variety of financial instruments and markets (Nagy et al., 2017). This risk encompasses fluctuations in interest rates, foreign exchange rates, commodity prices, and equity markets, presenting a substantial threat to the financial stability of institutions. For example, multinational corporations often contend with market risk due to their extensive involvement in global markets. The impact of changes in exchange rates on the value of international investments or the cost of importing raw materials serves as an illustrative scenario highlighting the complexities of managing market risk (Rajković et al., 2020). Sudden fluctuations in exchange rates can lead to variations in the value of international investments (Alagidede & Ibrahim, 2017). Additionally, shifts in commodity prices, influenced by global market forces, can significantly affect the costs associated with procuring raw materials for production (Nissanke, 2010). Effectively navigating market risk involves the strategic deployment of risk management tools (Annor & Obeng, 2017) such as hedging strategies, diversification of investments, and ongoing monitoring of economic indicators. By adeptly addressing the challenges posed by market risk, financial entities position themselves to adapt to evolving market conditions and mitigate potential financial losses.

Operational risk poses a multifaceted challenge for financial institutions (Robertson, 2016). It stems from various sources, including internal processes, systems, human factors, and external events such as inadequate internal controls, technological failures, fraud, and human errors. It constitutes a pervasive threat that can expose institutions to financial losses, reputational damage, and disruptions in their regular operations. Effectively managing operational risk requires a comprehensive approach to identifying, assessing, and mitigating potential pitfalls inherent in the day-to-day operations of financial entities (Leone & Porretta, 2018). For instance, the compromise of the institution's systems through a cyber intrusion can result in severe consequences, including data breaches and substantial financial losses. Given the increasing frequency of cybersecurity threats, financial institutions must bolster their defences against such risks (Khan & Malaika, 2021). This involves the implementation of robust cybersecurity measures, conducting regular audits, and providing ongoing staff education on cybersecurity best practices. Proactively addressing operational risk can safeguard financial institutions against potential disruptions and enhance their overall resilience (Rajković et al., 2020). This eventually maintains the trust of clients and stakeholders.

Liquidity risk is a pivotal concern for financial institutions (Saleh et al., 2020). It arises from the potential inability to fulfil short-term financial obligations due to an imbalance between liquid assets and liabilities. This risk manifests when institutions encounter challenges in swiftly converting their assets into cash, leading to liquidity shortages (Abbas et al., 2019). This can hinder institutions' capacity to meet immediate financial demands. Managing liquidity risk effectively is essential for upholding the financial health and solvency of institutions, as disruptions in cash flow can have far-reaching implications for their operational stability (Chen et al., 2018). Consider the tangible scenario of a financial institution confronting liquidity risk during unforeseen circumstances, such as a sudden surge in large-scale withdrawals by depositors. In this situation, if a substantial number of depositors simultaneously request fund withdrawals, the institution may encounter difficulties in promptly satisfying these demands. This example underscores the significance of robust liquidity management strategies, encompassing the maintenance of an adequate level of liquid assets, stress testing, and the formulation of contingency plans to navigate potential liquidity challenges. Proactive measures to address liquidity risk empower financial institutions to fortify their resilience (Saleh et al., 2020). It further ensures that institutions possess the requisite resources to meet short-term obligations even amidst periods of heightened financial strain.

The dynamic regulatory environment presents a continual challenge for financial institutions and businesses (Ahlström & Monciardini, 2022). Such an environment introduces inherent risks that necessitate vigilant attention and adaptive strategies. Frequent changes in regulations, whether at the national or international level, can pose considerable challenges for entities operating within the financial sector (Chen et al., 2018). Non-compliance with these evolving regulatory frameworks exposes institutions to legal actions and fines and carries the potential for severe reputational damage (Hansen-Magnusson et al., 2020). Staying abreast of regulatory developments and ensuring robust compliance mechanisms are in place is imperative to navigate the complexities introduced by shifting regulatory bodies (Kjaer & Vetterlein, 2018). In the case of enacting new laws, there is a need for additional capital reserves or imposing restrictions on specific financial activities. Therefore, institutions must swiftly adapt

their operational and strategic frameworks to align with these changes. Failure to comply could lead to legal repercussions, financial penalties, and a tarnished reputation, impacting the institution's standing in the market. According to van der Heijden (2021), managing regulatory risk effectively involves proactive engagement with regulatory bodies, comprehensive compliance programs, and a keen awareness of emerging regulatory trends to position institutions for sustainable growth within a compliant framework.

Strategic risk, stemming from poor decision-making or unanticipated external events, poses a considerable threat to an institution's ability to achieve its objectives. This risk category encapsulates challenges associated with the formulation and execution of organizational strategies, potentially resulting in financial setbacks, reputational damage, and operational disruptions. The inherent unpredictability of external factors, coupled with strategic decisions that prove detrimental (Ishak et al., 2016), underscores the need for astute risk management strategies to navigate the complexities of strategic risk effectively. The lack of a thorough understanding of the new market's dynamics, consumer preferences, and competitive areas may lead to unforeseen challenges and financial losses (Chen et al., 2018). The absence of strategic foresight could result in misaligned products or services, inadequate market penetration, or failure to anticipate regulatory hurdles (Keyter et al., 2018). Effectively managing strategic risk involves rigorous strategic planning, scenario analysis, and continuous monitoring of the business environment to adapt strategies as needed. By addressing strategic risk proactively, organizations can enhance their resilience, make informed decisions, and better position themselves to capitalize on opportunities while mitigating potential threats.

2.2. Perception of Stakeholders in the Financial Industry on Risk Management

The way stakeholders in the financial industry view risk management holds significant importance in shaping the industry's stability and operations. This encompasses a diverse group of stakeholders, including investors, regulators, financial institutions, and the public. Each of these groups possesses distinct viewpoints on risk management, which are shaped by factors like financial well-being, adherence to regulatory standards, and prevailing market conditions. The interaction of these perspectives plays a pivotal role in determining how effectively the financial industry can navigate and mitigate risks.

The central consideration for investors lies in the competence of financial institutions to navigate uncertainties and safeguard investments, forming a cornerstone in their decision-making process. Institutions that exhibit a thorough and proactive approach to risk management are generally perceived as more reliable investment options (Moussa, 2019). This perception stems from the belief that such institutions are better prepared to withstand economic downturns, market fluctuations, and unforeseen challenges (Robertson, 2016), thereby safeguarding the interests of investors. Transparency in risk reporting plays a crucial role in shaping the investor's perception of risk management (Streicher et al., 2023). Investors seek lucid and comprehensive information regarding the risks associated with their investments. A transparent risk reporting mechanism enables investors to evaluate the potential impact of various risks on their portfolios, facilitating informed decision-making (Aven & Flage, 2020). This transparency allows investors to strategically allocate their capital in alignment with their risk tolerance and financial objectives.

Furthermore, investors meticulously scrutinize the risk appetite and risk mitigation strategies employed by financial institutions. The alignment of an institution's risk appetite outlining its readiness to undertake risks for potential returns with the preferences and risk tolerance of its investors is imperative (Smart & Creelman, 2013). Additionally, the effectiveness of risk mitigation strategies, encompassing diversification, hedging, and other risk reduction measures, significantly influences investor confidence (Ishak et al., 2016). During periods of economic uncertainty or market volatility, the importance of robust risk management becomes even more accentuated. Investors are naturally drawn towards institutions with established track records of adeptly navigating and mitigating risks during challenging periods (Annor & Obeng, 2017). Such institutions instil confidence in investors, assuring them that their capital is managed judiciously with a keen awareness of potential threats.

The essence of a transparent risk reporting mechanism lies in providing investors with a holistic view of potential risks within financial institutions (Abeysekera, 2022). Whether institutional or individual, investors are increasingly sophisticated in their understanding of financial markets and seek detailed information to assess the inherent risks in their investment choices. Transparent risk reporting facilitates a more profound comprehension of the risk environment, empowering investors to make decisions that align with their investment strategies (Smart & Creelman, 2013). Beyond offering a comprehensive understanding of risks, transparent risk reporting enables investors to evaluate the potential impact of various risks on their portfolios (Moussa, 2019). This assessment is crucial for investors to gauge the resilience of their investments under diverse scenarios, including economic downturns, market volatility, or unforeseen geopolitical events. Armed with this knowledge, investors can proactively adjust their investment portfolios, implementing risk mitigation strategies or diversifying holdings to enhance resilience in the face of potential challenges.

The importance of transparent risk reporting further extends to aiding investors in strategic capital allocations (Shakespeare, 2020). Informed decision-making is at the core of successful investing, and a transparent risk-reporting mechanism equips investors with the insights needed to allocate their capital strategically. By comprehending the risks associated with different assets or investment instruments, investors can tailor their portfolios to align with their risk tolerance, investment horizon, and broader financial objectives. Moreover, transparent risk reporting fosters a sense of trust between financial institutions and investors (Core, 2020). Institutions that proactively provide clear, accurate, and timely information regarding risks demonstrate a commitment to open communication (Abeysekera, 2022). This transparency builds investor confidence, suggesting that the institution is aware of potential challenges and is taking proactive steps to manage and communicate those risks effectively.

The broader public, encompassing both customers and the wider community, holds different opinions on assessing the risk management practices within the financial industry. Their perception is closely linked to the industry's ability to avert financial crises and safeguard the well-being of individuals. Instances of financial misconduct or systemic failures can erode public trust (Roth, 2022), leading to unfavourable opinions regarding the industry's proficiency in managing risks. Consequently, cultivating and preserving a positive public image requires financial institutions to prioritize effective risk management and demonstrate unwavering commitment to ethical financial practices (Streicher et al., 2023). Ensuring a positive public perception necessitates more than mere regulatory compliance. Financial institutions must actively engage in transparent communication and outreach to convey their dedication to risk mitigation and the protection of individuals' financial interests. Beyond meeting legal requirements, institutions should uphold accountability in addressing challenges and articulate a steadfast commitment to ethical conduct (Chen et al., 2018). This proactive and transparent approach not only aids in rebuilding public trust but also contributes to fostering a positive perception of the financial industry's capabilities in managing risks (Leone & Porretta, 2018). Thus, the relationship between financial institutions and the general public is interdependent, underscoring the importance of collaborative efforts to ensure industry resilience and the safeguarding of public interests.

2.3. Role of Regulatory Bodies in Enhancing Risk Management Practices

Regulatory bodies play a pivotal role in bolstering risk management practices across diverse industries. These entities shoulder the responsibility of formulating and enforcing regulations and standards geared towards mitigating risks, safeguarding stakeholders, and upholding the stability of the broader economic system. At the core of their mission, regulatory bodies are tasked with delineating guidelines and frameworks that mandate businesses to adeptly identify, assess, and proficiently manage risks. This proactive approach is instrumental in fostering a secure and resilient business environment.

In the financial sector, regulatory bodies like the Securities and Exchange Commission (SEC) and the Financial Conduct Authority (FCA) wield significant influence in shaping risk management practices (Marshall et al., 2021). These entities play a pivotal role in crafting and implementing regulations that compel financial institutions to adopt robust risk mitigation strategies. These regulations often encompass stringent requirements for risk assessment methodologies, stress testing protocols, and capital adequacy standards (Scandizzo, 2016). By imposing such measures, regulatory bodies seek to pre-emptively address vulnerabilities within the financial system, mitigate the potential for financial crises, and safeguard the interests of investors (van der Heijden, 2021). The overarching goal is to uphold the integrity and stability of the financial markets, instilling confidence among participants and maintaining the overall health of the economic ecosystem. Furthermore, regulatory bodies in the financial sector contribute to fostering a culture of prudence and accountability among financial institutions (Alemanno, 2016). By mandating adherence to specific risk management standards, these regulatory entities encourage banks and other financial entities to adopt best practices. This not only enhances the resilience of individual institutions but also collectively fortifies the entire financial landscape, reducing the likelihood of systemic failures (Cooper, 2017). In this way, regulatory bodies serve as instrumental guardians, promoting responsible risk management practices that contribute to the long-term sustainability and health of the financial sector.

Moreover, regulatory bodies serve as essential catalysts for transparency and accountability within industries (OECD, 2016). Through their regulatory frameworks, these entities mandate businesses to divulge pertinent information pertaining to their risk exposure (Scandizzo, 2016), risk management methodologies, and overall financial health. The insistence on such disclosure ensures that stakeholders, including investors and consumers, are equipped with the necessary information to make informed decisions (Marshall et al., 2021). By fostering this transparency, regulatory bodies empower stakeholders to assess the risk landscape associated with a particular entity comprehensively. This, in turn, facilitates market efficiency and equitable decision-making, as investors can gauge the level of risk inherent in a business and make investment choices based on a thorough understanding of potential challenges and mitigating measures. In addition to promoting transparency, regulatory bodies contribute significantly to accountability in the corporate setting (OECD, 2016). By imposing reporting requirements on businesses, regulatory entities create a framework where organizations are answerable for their risk management practices. This accountability not only enhances corporate governance but also establishes a mechanism for regulatory oversight, ensuring that businesses operate responsibly and ethically.

Furthermore, regulatory bodies actively cultivate a culture of compliance within industries by setting and rigorously enforcing standards (Kjaer & Vetterlein, 2018). These standards serve as a benchmark for organizations to measure their risk management practices against, incentivizing them to embrace and implement industry-leading approaches. The regulatory framework acts as a guide, steering businesses towards adopting best practices in risk management (Jordana et al., 2015), including robust assessment methodologies, timely reporting, and proactive mitigation strategies. As organizations strive to align with these standards to remain compliant, they not only protect the interests of their stakeholders but also contribute to the broader stability and resilience of the overall economy. The culture of compliance instilled by regulatory bodies extends beyond individual organizations, creating a systemic effect that enhances the integrity of the entire industry (Cooper, 2017). By fostering adherence to established standards, regulatory bodies promote consistency and predictability in risk management practices across various players in a given sector. This, in turn, minimizes the likelihood of systemic failures and enhances the overall health of the economic ecosystem. The symbiotic relationship between regulatory compliance and risk management fosters an environment where businesses are accountable to their stakeholders and collectively contribute to the sustainability and robustness of the industry at large (Abeysekera, 2022).

Moreover, the adaptability of regulatory bodies plays a crucial role in ensuring the relevance and effectiveness of risk management practices in the ever-changing business field (Lawrence et al., 2020). These organizations exhibit a dynamic responsiveness to emerging risks and challenges by continually revising and updating regulations. As the business environment undergoes shifts due to technological advancements, economic fluctuations, and environmental considerations, regulatory bodies remain vigilant in identifying new threats and vulnerabilities (Jordana et al., 2015). By proactively amending regulations, they provide a framework that equips businesses with the tools to navigate and mitigate risks associated with the latest developments, fostering a resilient and adaptive risk management culture.

The ability of regulatory bodies to evolve in response to changing circumstances also reflects their commitment to staying ahead of the curve in understanding and addressing emerging risks (Jordana et al., 2015). This adaptability ensures that regulatory frameworks remain aligned with the contemporary business landscape, enhancing their effectiveness in safeguarding against novel challenges (Kjaer & Vetterlein, 2018). Whether it involves incorporating cybersecurity measures in financial regulations or addressing environmental sustainability concerns in industry standards, regulatory bodies serve as critical instruments for promoting forward-thinking risk management practices. Through this ongoing evolution, these entities contribute to the overall stability and sustainability of industries, fostering an environment where businesses can thrive amidst the complexities of the modern business world.

2.4. Risk Management Strategies During Global Uncertainty

In the face of global uncertainty, organizations must prioritize effective risk management strategies to navigate challenges and fortify their resilience. A critical starting point involves conducting meticulous risk assessments to pinpoint potential threats and vulnerabilities. This entails a comprehensive examination of both internal dynamics and external factors that could impact the organization, such as economic instability, geopolitical tensions, or health crises. By discerning the intricacies of specific risks, organizations can tailor their strategies to adeptly address and mitigate these uncertainties. Internally, scrutinizing operational processes, financial structures, and human resources unveils weaknesses that might exacerbate external shocks, while externally, understanding economic conditions, geopolitical landscapes, and health-related risks provides a holistic perspective on the organization's risk profile.

The economic field's volatility demands a keen awareness of potential instabilities, prompting organizations to develop adaptive strategies in response to economic uncertainties. Geopolitical tensions, whether stemming from trade disputes or regional conflicts, necessitate thorough analysis to anticipate disruptions and devise contingency plans (Sheng et al., 2021). Recent global health crises highlight the importance of evaluating health-related risks, emphasizing the need for organizations to integrate health considerations into their broader risk management frameworks. Once risks are identified, organizations can tailor their strategies, reallocate resources, revise business continuity plans, or implement new protocols to enhance operational resilience (Allan & Malz, 2021). A meticulous risk assessment lays the groundwork for a proactive and agile risk management approach, enabling organizations to craft targeted strategies that navigate challenges and bolster long-term resilience (Nketekete & Babatunde, 2023).

Through risk assessments, organizations boost their risk management strategies by implementing a diversified portfolio approach (Ahmadi-Javid et al., 2020). This strategic diversification extends beyond financial investments to encompass operational and resource allocation. Organizations strategically spread their investments across diverse regions, and industries (Doz, 2016). and asset classes, thus mitigating the concentration of risk in any specific sector or geographic location. This approach serves as a proactive measure to minimize the impact of adverse events, providing a layer of resilience that helps safeguard against the fallout from unforeseen challenges. Mason and Mouzas (2012) opine that maintaining a flexible business model emerges as a complementary element in the risk management strategy. A flexible framework enables organizations to adapt swiftly to changing circumstances, fostering agility in response to evolving economic, geopolitical, or industry-specific conditions (Mazzarol & Reboud, 2020). This adaptability allows organizations to pivot strategically, seizing emerging opportunities or proactively mitigating threats before they escalate. A flexible business model, combined with a diversified portfolio strategy, positions organizations to navigate global uncertainties.

In conjunction with diversified portfolio strategies (Ahmadi-Javid et al., 2020), organizations enhance their risk mitigation efforts through robust financial planning and systematic stress testing, vital components for fortifying organizational resilience. A comprehensive evaluation of financial health, liquidity, and capital reserves is imperative for organizations to insulate themselves from the impacts of global uncertainties (Allan & Malz, 2021). This assessment provides an in-depth understanding of the organization's financial standing, enabling proactive measures to withstand economic downturns and unforeseen disruptions. Such a meticulous examination lays the groundwork for the development of targeted risk mitigation strategies, aiding in the identification of potential vulnerabilities and the strategic allocation of resources.

Regular stress testing serves as an additional layer in bolstering an organization's ability to navigate unpredictable scenarios (Scandizzo, 2016). Through simulations of various adverse conditions, organizations can gauge their resilience in the face of economic volatility or disruptive events. The insights derived from stress tests empower organizations to proactively identify weaknesses within their financial structures (Araten, 2013). This knowledge facilitates agile adjustments, refinement of contingency plans, and effective resource allocation. In this way, robust financial preparedness can be ensured to safeguard against the uncertainties associated with global events.

In the dynamic field of global uncertainty, the significance of effective communication and stakeholder engagement cannot be overstated. As organizations navigate uncertainty, it is essential to establish transparent communication channels that keep key stakeholders' employees, customers, and investors informed about potential risks (Kujala, et al., 2022). Open and honest communication serves as a foundational pillar for building trust, ensuring that stakeholders comprehend the challenges at hand (Pedrini & Ferri, 2019). By fostering an environment of transparency, organizations cultivate a shared understanding of potential risks and the strategies in place to mitigate them.

Actively involving stakeholders in the risk management process is critical (Pantano et al., 2020). Soliciting input, feedback, and concerns from diverse stakeholders enriches the organization's comprehension of potential risks and enhances the efficacy of risk mitigation strategies (Mitchell et al., 2015). This collaborative approach not only strengthens the organization's risk intelligence but also fosters a sense of shared responsibility among stakeholders, creating a collective mindset geared toward navigating uncertainties. Especially during times of crisis, transparent communication is critical, as uncertainties may breed anxiety and speculation. Organizations that proactively communicate challenges and articulate steps taken to address them are better positioned to instil confidence, fostering a resilient and adaptable corporate culture (Kujala, et al., 2022). Effective communication serves as a bridge between internal and external stakeholders, aligning diverse interests and perspectives (Pedrini & Ferri, 2019). Internally, employees gain clarity on the potential impact of global uncertainties on their roles, enabling them to contribute proactively to resilience-building efforts. Externally, customers and investors benefit from assurance and transparency, facilitating informed decision-making. By prioritizing transparent communication and stakeholder engagement, organizations enhance their ability to navigate uncertainties, build resilience, and ensure sustained success in a rapidly changing global landscape.

To navigate global uncertainties, organizations must prioritize collaboration with external partners and harness technology as an integral strategy to enhance resilience (Pramanik, 2022). Building robust relationships with external entities, including suppliers, regulators, and industry peers, proves essential in acquiring valuable insights and support during times of uncertainty. Sartas et al. (2018) support that strong connections with suppliers enable organizations to gain deeper insights into potential disruptions in the supply chain, fostering collaborative contingency planning. Engaging with regulators ensures adherence to evolving standards (Keyter et al., 2018), while collaboration with industry peers facilitates the exchange of best practices. This also promotes collective problem-solving and promoting overall resilience within the business ecosystem.

Simultaneously, the strategic incorporation of advanced technologies, such as analytics and artificial intelligence, becomes a cornerstone in augmenting an organization's capacity for real-time risk monitoring and mitigation (Castañer & Oliveira, 2020). Through the application of these tools, organizations can swiftly identify and evaluate emerging threats. Advanced analytics provide a data-driven understanding of potential risks, empowering proactive decision-making (Nikki Cornwell et al., 2023). Artificial intelligence, with its predictive analysis capabilities, aids organizations in anticipating future challenges and implementing timely responses (Davenport, 2018). The integration of technology streamlines risk monitoring processes and positions organizations to proactively adapt and innovate in the face of a rapidly changing environment (Dutta et al., 2021). By embracing collaborative partnerships and leveraging cutting-edge technologies, organizations position themselves to navigate, innovate, and effectively respond to the challenges presented by global uncertainties.

3. METHODOLOGY

The quantitative research approach was employed for the current study. This approach aligns with the positivist research philosophy and the objectives of the study, which aim to quantitatively analyse the risk management strategies in the era of global

financial uncertainty in Ghana. The quantitative approach relies on structured data collection methods, such as surveys or standardized assessments (Farrelly, 2013). By adopting the quantitative approach in this study, the researcher can systematically collect and analyse numerical data, providing a rigorous and empirical foundation for understanding the problem (Gilbert & Calhoun, 2019). Therefore, a cross-sectional survey design, which enables the simultaneous investigation of multiple variables (Creswell, 2003), was adopted. The use of a cross-sectional survey design is advantageous in terms of efficiency and cost-effectiveness.

The population in this context includes financial institutions such as banks and insurance companies, businesses and corporations across various sectors, and governmental policies and regulations. To select the sample both stratified sampling technique and simple random sampling technique were used. Stratified sampling involves dividing the population into distinct subgroups, or strata, based on specific characteristics relevant to the study (Creswell, 2013). Within each subgroup, samples are randomly selected to ensure representation from all segments of the population. A stratified sampling technique was used to categorize financial institutions within Kumasi into Banking, Micro finances, and Petty traders. Stratified sampling was used to ensure a comprehensive representation across these various financial institutions. In this study, 50 employees were selected from 5 banks by considering 10 from each bank. Similarly, 50 employees were chosen from 5 microfinance institutions, with 10 employees from each institution. Additionally, the study included a group of 50 petty traders resulting in a total sample size of 150.

To collect the data, a questionnaire was developed containing close-ended questions. The questionnaire was structured using a five-point Likert scale consisting of three distinct sections. The first section focused on collecting data about the various risk factors influencing financial institutions and businesses in Ghana in the face of global financial uncertainty. The second section centred on the effects of risk factors on financial institutions and businesses in Ghana while the third section covered risk management strategies to promote Ghana's economic and financial conditions during periods of global uncertainty. To ensure the reliability of the instrument, Cronbach's alpha was employed obtaining alpha values of 0.70. According to Strickland (2006), high alpha values indicate good internal consistency. The researchers also ensured concurrent validity which assesses the questionnaire's ability to correlate with other established measures of the same construct.

Data analysis was done through descriptive statistics such as Mean, Standard Deviation and Pearson Moment Correlation. While Mean and Standard Deviation were used to determine the risk factors affecting financial institutions and businesses in Ghana, risk management strategies, and Pearson Moment Correlation were used to establish the effects of risk factors on financial institutions and businesses in Ghana.

4. RESULTS

Table 1: Risk Factors Influencing Financial Institutions and Businesses in Ghana.

Sr No.	Statement	Mean	Standard Deviation
1	Political instability in Ghana poses a risk to businesses and financial institutions.	1.91	0.68
2	The fluctuation of global commodity prices directly affects the profitability of businesses and the loan repayment capacity	1.97	0.75
3	Exchange rate volatility exposes businesses and financial institutions to foreign exchange risk	2.16	0.99
4	Compliance requirements pose operational and financial risks to businesses and financial institutions	1.82	0.94
5	Cybersecurity threats, can disrupt operations and compromise sensitive information for businesses and financial institutions	1.99	0.81
6	Access to funding and capital is influenced by the risk perception of investors and lenders	3.17	1.09
7	Interest rate risk impacts the profitability of financial institutions' loan portfolios	1.87	0.77
8	Poor business practices can affect the long-term viability of businesses and financial institutions.	1.89	0.83
9	Regional conflicts and cross-border tensions may disrupt trade flows and investment activities	1.81	0.67
10	Changes in consumer behaviour can create market risks for businesses and financial institutions	1.81	0.69

Table 1 presents data regarding the risk factors influencing financial institutions and businesses in Ghana. The data offer insight into various areas of concern. Notably, political instability in Ghana is highlighted as a significant risk, evidenced by a mean score of 1.91 and a standard deviation of 0.68, indicating moderate consensus among respondents. Similarly, the impact of fluctuating global commodity prices is underscored, with a mean score of 1.97 and a standard deviation of 0.75. Exchange rate volatility emerges as another prominent concern, registering a mean score of 2.16 and a relatively higher standard deviation of 0.99, suggesting diverse perspectives among respondents. Furthermore, compliance requirements pose operational and financial risks, reflected in a mean score of 1.82 and a standard deviation of 0.94. Cybersecurity threats are also deemed significant, with a mean score of 1.99 and a standard deviation of 0.81, indicating moderate consensus. Additionally, factors such as access to funding and capital, interest rate risk, poor business practices, regional conflicts, and shifts in consumer behaviour are identified as notable risk factors, each exhibiting varying levels of significance and agreement among respondents. This analysis provides a valuable understanding of how risk factors affect financial institutions and businesses in Ghana, emphasizing the need for proactive mitigation strategies to ensure resilience and stability in the face of challenges.

4.1. Risk Factors Affecting Financial Institutions and Businesses in Ghana Amidst Global Financial Uncertainty

The assessment of risk factors impacting financial institutions and businesses in Ghana amid global financial uncertainty was conducted through Pearson product-moment correlation analysis. This analysis encompassed various sectors including banking, microfinance, and traders within the financial environment as shown in Table 2.

Table 2: Pearson product-moment Correlation between risk factors affecting financial institutions and businesses in Ghana amidst global financial uncertainty.

Risk factors	Pearson product-moment Correlation	Financial Institutions & Businesses		
		Banking	Micro finance	Traders
Political instability in Ghana	Pearson Correlation	1	-0.0576**	-0.446**
	Sig. (2-tailed)		0.000	0.000
The fluctuation of global commodity prices	Pearson Correlation	-0.576**	1	-0.485**
	Sig. (2-tailed)	0.000		0.000
Exchange rate volatility exposes businesses and financial institutions to foreign exchange risk	Pearson Correlation	-0.446**	0.485**	1
	Sig. (2-tailed)	0.000	0.000	
Compliance requirements pose operational and financial risks	Pearson Correlation	-0.567**	0.475**	1
	Sig. (2-tailed)			
Cybersecurity threats	Pearson Correlation	1	-0.581**	-0.464**
	Sig. (2-tailed)		0.000	0.000
Access to funding and capital	Pearson Correlation	1	-0.573**	-0.451**
	Sig. (2-tailed)		0.000	0.000
Interest rate risk impacts	Pearson Correlation	-0.576**	-0.446**	1
	Sig. (2-tailed)			
Poor business practices	Pearson Correlation	-0.581**	-0.417**	1
	Sig. (2-tailed)	0.000	0.000	
Regional conflicts and cross-border tensions	Pearson Correlation		-0.581**	-0.417**
	Sig. (2-tailed)			
Changes in consumer behaviour c	Pearson Correlation	-0.576**	1	-0.485**
	Sig. (2-tailed)		0.000	0.000

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

Table 2 presents a Pearson product-moment Correlation between correlation risk factors affecting financial institutions and businesses in Ghana amidst the backdrop of global financial uncertainty. The findings demonstrate correlations between diverse risk factors and sectors, encompassing banking, microfinance, and traders. Notably, political instability in Ghana displays robust negative correlations with both microfinance (-0.576**) and traders (-0.446**), signalling that heightened political instability amplifies perceived risks within these sectors. Similarly, fluctuations in global commodity prices exhibit substantial negative correlations with banking (-0.576**) and traders (-0.485**), indicating adverse impacts on these sectors due to commodity price volatility. Additionally, significant correlations are observed for factors such as exchange rate volatility, compliance requirements, cybersecurity threats, access to funding and capital, interest rate risk, poor business practices, and changes in consumer behaviour across various sectors. These findings underscore the intricate interconnectedness of risk factors and emphasize the imperative of addressing them holistically to mitigate risks and foster stability within Ghana's financial landscape amidst prevailing global economic uncertainties.

Table 3: Risk Management Strategies to Bolster Ghana's Economic and Financial Conditions.

Sr No.	Statement	Mean	Standard Deviation
1	Diversifying investment portfolios and revenue streams	1.49	0.37
2	Maintaining strong fiscal discipline and prudent debt management practices	1.61	0.51
3	Investing in infrastructure and technology resilience	1.55	0.21
4	Promoting financial inclusion and access to credit	2.13	0.19
5	Strengthening international partnerships and cooperation	1.92	0.74
6	Building up foreign exchange reserves	2.89	0.09
7	Fostering a culture of innovation and entrepreneurship	2.16	1.19
8	Encouraging domestic resource mobilization	3.01	0.18
9	Improve transparency and accountability in governance to attract investors	1.99	0.17
10	Investing in human capital development and education	2.99	0.07

Table 3 provides insights into the risk management strategies aimed at strengthening Ghana's economic and financial conditions. The data show varying levels of consensus among respondents regarding the efficacy of these strategies. Notably, diversifying investment portfolios and revenue streams emerges as a preferred approach, with a mean score of 1.49 and a standard deviation of 0.37 which indicates moderate agreement. Similarly, maintaining strong fiscal discipline and prudent debt management practices are recognized as crucial, gathering a mean score of 1.61 with a standard deviation of 0.51. Investing in infrastructure and technology resilience also garners attention, scoring a mean of 1.55 with a relatively lower standard deviation of 0.21. Promoting financial inclusion and access to credit is deemed significant, reflected in a mean score of 2.13 and a narrow standard deviation of 0.19. However, strengthening international partnerships and cooperation exhibits a higher standard deviation of 0.74, highlighting diverse perspectives among respondents. Additionally, building up foreign exchange reserves and fostering a culture of innovation and entrepreneurship are considered valuable strategies, with mean scores of 2.89 and 2.16, respectively, although the latter displays a wider standard deviation of 1.19. Encouraging domestic resource mobilization and investing in human capital development and education are deemed critical, scoring means of 3.01 and 2.99, respectively, with relatively low standard deviations. These findings demonstrate the necessity of adopting a multifaceted risk management approach, incorporating both conventional and innovative strategies, to bolster Ghana's economic and financial resilience.

5. DISCUSSION

The data on risk factors influencing financial institutions and businesses in Ghana provide critical insights into areas of concern warranting attention. Political instability emerges as a significant risk indicating moderate consensus. This agrees with a study conducted by (Annor & Obeng, 2017) highlighting the challenges posed by political uncertainties, which can disrupt economic activities and erode investor confidence. In contrast, Kenya has shown more resilience in this area, with political risk being less of a deterrent for investors. A study by Kamau and Were (2018) indicates that despite periodic political tensions, Kenya's economic policies and investor-friendly environment have maintained relative stability and growth. This suggests that political

instability may not uniformly impact all African nations to the same degree. Also, the impact of fluctuating global commodity prices poses a risk to the Ghanaian economy. For this reason, the Ghana Statistical Service (2019), highlights Ghana's vulnerability to external market forces, proposing adaptive strategies to mitigate risks associated with commodity price volatility. Regarding global commodity price fluctuations, Nigeria offers a contrasting example. Unlike Ghana, Nigeria has made significant efforts to diversify its economy beyond oil. The Nigerian National Petroleum Corporation (NNPC, 2020) notes that investments in agriculture, telecommunications, and services have reduced dependency on oil revenues, mitigating the risks associated with global price volatility. Exchange rate volatility emerged with a higher standard deviation revealing diverse perspectives among respondents. Bank of Ghana, (2021) supports that there are potential implications of currency fluctuations for financial institutions and businesses in Ghana. Additionally, compliance requirements are identified as posing operational and financial risks in an economy. This highlights the importance of regulatory adherence (Ghana Revenue Authority, 2020), and highlights the potential consequences of non-compliance for businesses operating in Ghana's financial landscape. Moreover, cybersecurity threats are deemed significant indicating a moderate consensus from the respondents. Ishak et al. (2016) found the increasing importance of cybersecurity measures to safeguard sensitive information and maintain operational continuity for financial institutions and businesses. However, Mauritius demonstrates a proactive stance in this area. According to the Mauritius Cybersecurity Strategy (2020), the country has invested heavily in cybersecurity infrastructure and public-private partnerships to safeguard its digital economy. This proactive approach contrasts with Ghana's reactive measures, indicating that strategic investments can mitigate cybersecurity risks more effectively.

The Pearson product-moment correlation analysis on risk factors affecting financial institutions and businesses in Ghana reveals crucial insights into interconnected factors across sectors. Political instability exhibits strong negative correlations with microfinance and traders, emphasizing heightened risks during instability (Ghana Institute of Economic and Statistical Research, 2020). Rwanda presents a different scenario. According to the World Bank (2021), Rwanda has managed to maintain political stability, which has fostered a conducive environment for microfinance and trade sectors, illustrating that political stability can significantly mitigate these risks. Also, negative correlations between global commodity price fluctuations and banking/traders signify vulnerability to market shifts (Ghana Statistical Service, 2019). In contrast, Botswana has effectively mitigated such risks through prudent fiscal policies and the establishment of sovereign wealth funds. According to the Bank of Botswana (2020), these measures have insulated the economy from commodity price shocks, highlighting that strategic financial planning can reduce exposure to global market volatility. Additionally, correlations with factors like exchange rate volatility, compliance requirements, and cybersecurity threats highlight interconnected risks (Bank of Ghana, 2021; Ghana Revenue Authority, 2020; Abbas et al., 2019). Addressing these risks holistically can enhance Ghana's financial sector resilience and foster sustainable economic growth.

The data on risk management strategies emerged including diversifying investment portfolios and revenue streams, maintaining strong fiscal discipline, investing in infrastructure and technology resilience, promoting financial inclusion, strengthening international partnerships, building up foreign exchange reserves, fostering innovation and entrepreneurship, encouraging domestic resource mobilization, and investing in human capital development. However, contrasting examples from other African countries provide different perspectives on these strategies. While Ghana focuses on attracting foreign direct investment (FDI) primarily in agriculture, manufacturing, and services (Ghana Investment Promotion Centre, 2021), Rwanda has successfully diversified its economy by promoting sectors such as tourism and technology, which has reduced dependency on traditional sectors and increased economic resilience (Rwanda Development Board, 2021).

Regarding fiscal discipline, Botswana's consistent budget surpluses and prudent debt management have created a stable macroeconomic environment (Ministry of Finance and Economic Development, Botswana, 2021). This contrasts with Ghana's focus on fiscal consolidation and debt sustainability through expenditure rationalization and revenue enhancement initiatives (Ministry of Finance, Ghana, 2021). Kenya's advancements in digital infrastructure through initiatives like the Konza Technopolis project (Kenya ICT Authority, 2021) position it as a leader in technology resilience in Africa. This differs from Ghana's broader approach of investing in roads, bridges, and energy facilities alongside digitalization efforts (Ministry of Roads and Highways, Ghana, 2021). Financial inclusion strategies also vary. While Ghana promotes mobile banking and microfinance schemes (Bank of Ghana, 2021), Nigeria leverages fintech and regulatory sandboxes to drive financial innovation and reach underserved populations (Central Bank of Nigeria, 2021). International partnerships are vital for Ghana, exemplified by its collaboration with ECOWAS and the African Union (Economic Community of West African States, 2021; African Union, 2021). In contrast, South Africa's extensive bilateral trade agreements with countries outside Africa, including those under the BRICS framework, highlight a different approach to international economic integration (Department of Trade, Industry and Competition, South Africa, 2021).

Building up foreign exchange reserves is crucial for Ghana, as demonstrated by the Bank of Ghana's prudent monetary policies (Bank of Ghana, 2021). Similarly, Ethiopia's central bank focuses on increasing foreign reserves through export promotion and diaspora remittances (National Bank of Ethiopia, 2021). Fostering innovation and entrepreneurship is evident in Ghana through initiatives like the Ghana Innovation Hub and NEIP (Ghana Innovation Hub, 2021; National Entrepreneurship and Innovation Plan, Ghana, 2021). Tunisia's startup ecosystem, supported by policies like the Startup Act, offers a contrasting example of fostering innovation through legal frameworks and government support (Startup Tunisia, 2021). Encouraging domestic resource mobilization in Ghana involves tax reforms and efforts to curb illicit financial flows (Ministry of Finance, Ghana, 2021). Uganda pursues similar goals through the Uganda Revenue Authority's initiatives to expand the tax base and improve compliance (Uganda Revenue Authority, 2021). Investing in human capital development in Ghana includes the Free Senior High School (SHS) policy and vocational training programs (Ministry of Education, Ghana, 2021). In contrast, Egypt's education reform program focuses on improving the quality of education and aligning it with market needs, supported by substantial investments in teacher training and digital learning platforms (Ministry of Education, Egypt, 2021).

6. RECOMMENDATIONS

1. Strengthening institutions and promoting good governance practices can contribute to a more stable political environment conducive to economic growth.
2. Encouraging investment diversification into non-traditional sectors like technology, tourism, and services can create new avenues for growth.
3. 4Strengthening regulatory compliance frameworks and implementing robust cybersecurity measures are critical for resilience.
4. Encouraging innovation and entrepreneurship can unlock new sources of growth and resilience in Ghana's economy.

5. Capacity-building programs and collaboration between government agencies and industry can foster the development and implementation of best practices in risk management.

7. CONCLUSION

This study investigated risk management strategies in the era of global financial uncertainty in Ghana. The findings highlighted significant risk factors affecting financial institutions and businesses in Ghana including political instability and fluctuating global commodity prices are notable concerns with moderate consensus, alongside exchange rate volatility and compliance requirements posing substantial risks. Cybersecurity threats also garner attention. Additionally, factors such as access to funding, interest rate risk, poor business practices, regional conflicts, and shifts in consumer behaviour contribute to the complex risk landscape. These findings highlight the imperative of proactive risk mitigation strategies to ensure stability and resilience in Ghana's financial sector.

The analysis unveils strong negative correlations between diverse risk factors and sectors in Ghana's financial landscape. Political instability correlates negatively with microfinance and traders, signalling heightened risks. Similarly, fluctuations in global commodity prices negatively affect banking and traders. Other significant correlations include exchange rate volatility, compliance requirements, cybersecurity threats, access to funding, interest rate risk, poor business practices, and shifts in consumer behaviour across sectors, emphasizing the need for comprehensive mitigation strategies. The data revealed varying risk management strategies aimed at strengthening Ghana's economic and financial conditions. Building reserves and fostering innovation are seen as valuable. These findings stress the need for a multifaceted risk management approach to enhance Ghana's economic and financial resilience.

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