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RISK MITIGATION STRATEGIES AND PROJECT PERFORMANCE OF COMMERCIAL BANKS IN NAIROBI CITY COUNTY, KENYA

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ABSTRACT

The general objective of the study was to examine the effect of risk mitigation strategies on project performance of commercial banks in Nairobi City County, Kenya. Specifically, the study sought to establish the effect of risk transfer on project performance of commercial banks in Nairobi City County, Kenya and to investigate the effect of risk prevention on project performance of commercial banks in Nairobi City County, Kenya. This study used a descriptive research design. The target population was 13 bank housing projects in Nairobi County. From every housing project the study targeted the project managers, project engineers, quantity surveyor, architect, electrical engineer, structural engineer, and procurement officers as the unit of observation. The target population therefore comprised of 91 housing project team members. To select the study respondents, census sampling technique was employed. This implies that all the 91 housing project team members participated in the study. This study used questionnaire to collect data relevant to this study. Quantitative data collected was analyzed using descriptive statistical techniques which are frequencies, mean, standard deviation. Inferential statistics which include Pearson correlation and the Regression Analysis Model was used to test the relationship between study variables. The significance of the model was tested at 5% level of significance. Data was analysed using Statistical Package for Social Sciences (SPSS) software. The study results were presented through use of tables and figures. The study concludes that risk transfer has a significant effect on project performance of commercial banks in Nairobi City County, Kenya. The study also concludes that risk prevention has a significant effect on project performance of commercial banks in Nairobi City County, Kenya. Based on the findings, the study recommends that the management of commercial banks in Kenya should implement a robust risk transfer strategy through comprehensive insurance and outsourcing arrangements. The study also recommends that the management of commercial banks in Kenya should implement a rigorous risk prevention framework through comprehensive training and development programs.

Key Words: Risk Mitigation Strategies, Risk Transfer, Risk Prevention, Project Performance, Commercial Banks

Background of the Study

Project performance refers to the extent to which a project achieves its intended objectives, meets stakeholders' expectations, and delivers value within the constraints of time, budget, and scope (Aduma, & Kimutai, 2020). Effective project performance is a key indicator of successful project management and is essential for the sustainability and growth of any organization. In the context of commercial banks, project performance is critical as it directly impacts financial returns, customer satisfaction, and the overall stability of the banking sector. Evaluating project performance involves assessing various factors that contribute to the success or failure of a project (Alsaadi, & Norhayatizakuan, 2021). The performance of projects financed by commercial banks is a crucial factor in determining the banks' overall success and stability. Projects financed by these institutions span various sectors, including infrastructure, real estate, and business development. Successful project performance is measured by the achievement of set objectives, timely completion, staying within budget, and delivering the expected returns on investment (Bukar, & Ibrahim, 2021).

Risk mitigation strategies are the independent variables in this study, encompassing various methods employed by commercial banks to identify, assess, and manage risks that could negatively impact the performance of financed projects. These strategies include comprehensive credit assessments, market risk analysis, operational risk management, and liquidity risk management (Butt, Iqbal, Saddiques, & Shahid, 2021). Effective credit risk assessment ensures that loans are extended to creditworthy borrowers, reducing the likelihood of defaults. Market risk analysis helps banks understand and prepare for fluctuations in market conditions that could affect project viability (Egboga, & Taiwo, 2021). Operational risk management addresses risks related to internal processes, systems, and people, while liquidity risk management ensures that projects have sufficient cash flow to meet their obligations. Despite these measures, the persistent underperformance of many bank-financed projects suggests that current risk mitigation strategies may not be sufficiently effective (Egboga, & Worlu, 2020).

The relationship between risk mitigation strategies and project performance is critical to understanding how banks can enhance the success rate of their financed projects (Gathigia, & Wairimu, 2023). Effective risk mitigation can lead to improved project outcomes by minimizing potential losses and ensuring that projects are completed on time and within budget. However, if risk mitigation strategies are inadequate or improperly implemented, projects are more likely to encounter difficulties, leading to financial losses for the banks and their clients (Gichohi, Iravo, & Muchelule, 2024).

Statement of the Problem

The performance of projects financed by commercial banks is a critical determinant of the banks' overall success and stability. In Nairobi City County, Kenya, commercial banks finance a wide array of projects, including infrastructure development, business expansions, and real estate ventures (Mutunga, & Ondara, 2021). However, despite the significant financial commitments made by these banks, many projects fail to meet their performance targets, raising concerns about the effectiveness of risk mitigation strategies employed by these institutions (Murungi, & Omwenga, 2020). Recent statistics indicate a troubling trend in the performance of bank-financed projects. According to the Central Bank of Kenya (CBK) (2022), the rate of project failures and non-performing loans (NPLs) has been on the rise, with NPLs increasing from 12.5% in 2019 to 14.1% in 2020. This rise in NPLs suggests that a considerable number of financed projects are not generating the expected returns, leading to financial losses for the banks (Mugenga, & Bugingo, 2024). Furthermore, a report by the Kenya Bankers Association (KBA) highlights that approximately 30% of bank-financed projects in 2021 did not achieve their projected outcomes, pointing to significant gaps in project performance (Maghanga, & Lewa, 2021).

The underperformance of these projects can be attributed to various risks, including credit risk, market risk, operational risk, and liquidity risk. For example, credit risk arises when borrowers

default on their loans, while market risk is associated with fluctuations in market conditions that adversely affect project viability (Kirira, *et al*, 2022). Operational risks, such as fraud and mismanagement, and liquidity risks, where projects face cash flow challenges, also play a significant role in project failures (Kimani, & Kirui, 2020). Despite the implementation of risk mitigation strategies by commercial banks, such as thorough credit assessments, market analysis, and robust monitoring systems, the continued underperformance of financed projects suggests that these strategies may not be as effective as required (Gichohi, Iravo, & Muchelule, 2024). This ineffectiveness not only threatens the financial health of individual banks but also poses a risk to the broader financial system and economic stability of the country (Gathigia, & Wairimu, 2023).

Therefore, the problem that this study seeks to address is the apparent ineffectiveness of existing risk mitigation strategies in ensuring the optimal performance of projects financed by commercial banks in Nairobi City County, Kenya. This research aims to provide empirical evidence on the relationship between risk mitigation strategies and project performance, ultimately contributing to the development of more effective risk management frameworks in the banking sector. By identifying the key factors influencing project success, the study sought to enhance the ability of commercial banks to finance projects that meet their performance targets and contribute positively to the economy.

Objective of the study

The general objective of the study was to examine the effect of risk mitigation strategies on project performance of commercial banks in Nairobi City County, Kenya

The study was guided by the following specific objectives:

i. To establish the effect of risk transfer on project performance of commercial banks in Nairobi City County, Kenya.
ii. To investigate the effect of risk prevention on project performance of commercial banks in Nairobi City County, Kenya.

LITERATURE REVIEW

Theoretical Review

Agency Theory

Agency Theory founded by Jensen and Meckling (1976) is a concept within economics and management that explores the relationship between principals (such as shareholders) and agents (typically managers or employees) who act on behalf of the principals. This theory addresses the inherent conflicts of interest that arise when one party (the agent) is expected to make decisions that affect another party (the principal). Central to Agency Theory is the principal-agent relationship, where principals delegate decision-making authority to agents with the expectation that they will act in the principals' best interests. However, agents may prioritize their own interests, leading to what is known as agency costs—expenses incurred due to inefficiencies, conflicts, or suboptimal decisions stemming from misalignment of incentives (Oko-Osi, Ajemunigbohun & Abiodun, 2023).

To mitigate these issues, Agency Theory suggests various mechanisms and strategies. One common approach is the design of compensation packages that align the interests of agents with those of principals, such as performance-based incentives or stock options. Monitoring and control mechanisms, such as regular audits, oversight committees, or performance evaluations, are also crucial in ensuring agents behave in ways that maximize principals' interests. Moreover, Agency Theory underscores the importance of transparency and communication in the principal-agent relationship. Clear goals, well-defined roles and responsibilities, and open dialogue help reduce the potential for misunderstandings or opportunistic behavior by agents. In situations where conflicts persist, legal frameworks and contractual agreements can provide further safeguards to protect principals' interests and hold agents accountable for their actions (Rutabubura & Mulyungi, 2020).

Firstly, Agency Theory assumes that agents (such as managers or employees) are rational individuals who act in their own self-interest. This assumption implies that agents may prioritize personal goals, such as job security, salary increases, or career advancement, over the interests of principals (shareholders or owners). Secondly, the theory assumes that there is an information asymmetry between principals and agents. Principals often lack complete information about the actions and decisions taken by agents, which can lead to uncertainty and potential opportunistic behavior on the part of agents. Thirdly, Agency Theory assumes that agents may have differing risk preferences compared to principals. Agents may be more risk-averse or risk-seeking depending on their personal circumstances, which can influence decision-making and the level of risk taken on behalf of principals (Maghanga & Lewa, 2021).

One critique is that the theory oversimplifies the complexities of human behavior and motivation. Not all agents may be solely driven by self-interest; factors such as ethics, organizational culture, and personal values can also play significant roles in decision-making. Additionally, Agency Theory has been criticized for its narrow focus on financial incentives as the primary means of aligning the interests of principals and agents. In practice, non-financial incentives, such as job satisfaction, recognition, and opportunities for career growth, can also influence agent behavior and performance. Furthermore, critics argue that Agency Theory tends to prioritize the interests of shareholders (principals) over other stakeholders, such as employees, customers, and the broader community. This narrow focus may neglect the broader social and ethical responsibilities that organizations have beyond maximizing shareholder value (Kimani & Kirui, 2020). This theory was relevant in establishing the effect of risk transfer on project performance of commercial banks in Nairobi City County, Kenya.

Principal-Agent Theory

Principal-Agent Theory developed by Stephen Ross and Barry Mitnickin in the 1970s, is a foundational concept in economics and organizational theory that explores the relationship between two parties: the principal, who delegates work or decision-making authority to the agent, who performs tasks on behalf of the principal. This theory is crucial in contexts where there is a potential for misalignment of interests or information asymmetry between the principal and the agent. Central to Principal-Agent Theory is the idea that the agent may not always act in the best interests of the principal due to differing goals, risk preferences, or incomplete information. The principal delegates authority to the agent with expectations of achieving certain outcomes, but the agent may pursue actions that maximize their own interests, which can diverge from those of the principal. This divergence of interests can lead to agency costs, such as moral hazard (where the agent takes risks knowing the principal will bear the consequences) or adverse selection (where the principal cannot fully assess the agent's true abilities or intentions) (Bukar & Ibrahim, 2021).

The theory also highlights the importance of designing effective incentive structures and monitoring mechanisms to mitigate agency problems and align the interests of principals and agents. For instance, performance-based contracts, profit-sharing arrangements, and transparency in reporting are mechanisms used to encourage agents to act in ways that maximize the principal's welfare. Furthermore, Principal-Agent Theory underscores the role of information asymmetry in shaping the dynamics between principals and agents, emphasizing the need for effective communication, disclosure, and regulatory frameworks to reduce opportunistic behavior and promote efficiency in decision-making (Igihizo & Irechukwu, 2022).

One fundamental assumption of Principal-Agent Theory is that agents are rational actors who seek to maximize their own utility or interests. This assumption suggests that agents will make decisions that benefit themselves, potentially diverging from the preferences or goals of the principal. This rationality assumption forms the basis for predicting how agents will behave under different incentive structures and informational conditions. Another critical assumption is that there exists an information asymmetry between the principal and the agent. The principal typically lacks full information about the agent's actions, effort, or abilities, which can lead to

moral hazard (where agents take risks knowing the principal will bear the consequences) or adverse selection (where the principal cannot distinguish between agents with different levels of ability or motivation). This information asymmetry necessitates the design of monitoring mechanisms and incentive systems to align the agent's actions with the principal's interests (Mutunga & Ondara, 2021). This theory was relevant in investigating the effect of risk prevention on project performance of commercial banks in Nairobi City County, Kenya.

Conceptual Framework

A conceptual framework is a structure or system of concepts that provides a foundation for understanding, analyzing, and interpreting a specific subject or phenomenon. It is a set of interconnected ideas, principles, and theories that form a coherent and comprehensive perspective on a particular topic (Svinicki, 2019). It is a diagram that explains the relationship between dependent and independent variables.

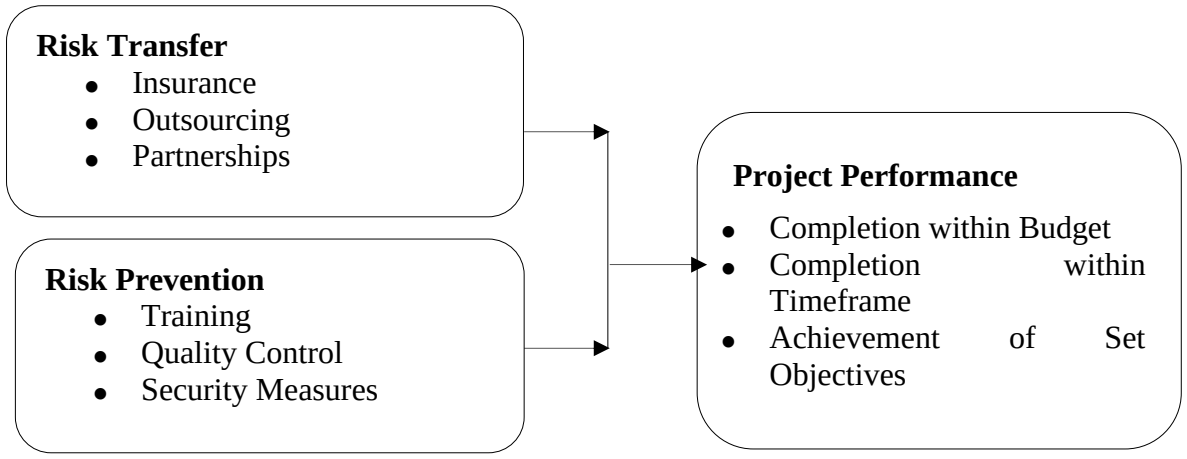

Figure 2. 1: Conceptual Framework

Risk Transfer

Risk transfer is a risk management strategy where an organization shifts the financial consequences or responsibility of certain risks to another party (Odhiambo & Senelwa, 2021). In essence, the organization transfers the risk exposure to a third party who is better equipped to manage or absorb the risk. This strategy involves contractual agreements, insurance policies, outsourcing arrangements, or other legal mechanisms to allocate risk to parties with the capacity to handle it effectively (Oko-Osi, Ajemunigbohun & Abiodun, 2023).

Insurance is a fundamental tool for risk transfer, where organizations transfer the financial consequences of certain risks to insurance companies in exchange for premium payments. Insurance policies are designed to cover specific risks such as property damage, liability claims, business interruption, and professional errors. For example, in the construction industry, contractors often purchase insurance to protect against accidents, property damage, or lawsuits arising from construction activities. By transferring these risks to insurers, organizations mitigate the financial impact of unforeseen events and ensure financial stability in the face of potential losses. Insurance not only provides financial protection but also enables businesses to comply with contractual obligations, regulatory requirements, and stakeholder expectations by demonstrating risk management diligence (Rutabubura & Mulyungi, 2020).

Outsourcing involves delegating specific tasks, functions, or operations to external service providers who assume responsibility for performing these activities. Through outsourcing, organizations can transfer operational risks associated with those tasks to specialized vendors with expertise in the respective fields. For instance, companies may outsource IT services, manufacturing processes, or customer support functions to third-party providers. By doing so, they transfer risks related to operational efficiency, quality control, compliance, and workforce

management to external partners. Effective outsourcing arrangements are governed by contractual agreements that define service levels, performance metrics, risk allocation, and dispute resolution mechanisms. This strategic use of outsourcing allows organizations to focus on core competencies while leveraging external capabilities to manage risks more efficiently and cost-effectively (Maghanga & Lewa, 2021).

Partnerships involve collaborative relationships between organizations, stakeholders, or entities to achieve shared goals, leverage complementary strengths, and mitigate risks collectively. Strategic partnerships often involve risk-sharing arrangements where risks associated with joint ventures, projects, or initiatives are distributed among participating parties based on their respective roles and contributions. For example, in joint development projects, partners may share risks related to research and development costs, technological uncertainties, market acceptance, and regulatory compliance. By pooling resources, expertise, and networks, partnerships enable organizations to access new markets, innovate faster, and achieve economies of scale while spreading risks across multiple stakeholders. Effective risk management in partnerships requires clear communication, mutual trust, shared accountability, and alignment of goals to ensure collaborative success and sustainable outcomes (Kimani & Kirui, 2020).

Risk Prevention

Risk prevention is a proactive approach within risk management aimed at identifying, assessing, and mitigating potential risks before they materialize or escalate into problems (Bukar & Ibrahim, 2021). It involves implementing strategies and measures to minimize the likelihood of risks occurring or their potential impact on projects, operations, or organizations (Igihizo & Irechukwu, 2022).

Training plays a crucial role in risk prevention by equipping employees with the knowledge, skills, and awareness needed to identify and mitigate potential risks in their roles. Effective training programs educate personnel on safety protocols, operational procedures, regulatory requirements, and best practices relevant to their tasks and environments. For example, in manufacturing industries, training programs on equipment operation and safety procedures reduce the risk of workplace accidents and injuries. By empowering employees with the right training, organizations foster a culture of safety and risk awareness, thereby minimizing human errors, improving compliance with standards, and enhancing overall operational efficiency (Mutunga & Ondara, 2021).

Quality control processes are essential in risk prevention as they ensure that products, services, or processes meet established standards and specifications. Quality control involves systematic monitoring, evaluation, and adjustment of production processes or service delivery to maintain consistency, reliability, and compliance with customer expectations and regulatory requirements. For instance, in pharmaceutical manufacturing, rigorous quality control measures ensure that medications are produced according to stringent safety and efficacy standards, minimizing the risk of defects or adverse effects on consumers. By implementing robust quality control mechanisms, organizations mitigate risks associated with product failures, customer dissatisfaction, regulatory non-compliance, and reputational damage, thus safeguarding their brand integrity and market competitiveness (Nguru & Kaburu, 2023).

Security measures are critical in risk prevention to protect organizational assets, data, personnel, and facilities from threats such as theft, vandalism, cyber-attacks, and unauthorized access. Effective security measures encompass physical security (e.g., access controls, surveillance systems), cyber security (e.g., firewalls, encryption, malware detection), and personnel security (e.g., background checks, identity verification). For example, in information technology, robust cyber security measures prevent unauthorized access to sensitive data, mitigate the risk of data breaches, and safeguard against financial losses and legal liabilities. By investing in comprehensive security measures, organizations reduce vulnerabilities, deter potential threats, and ensure the confidentiality, integrity, and availability of critical resources,

thereby minimizing risks related to security breaches and disruptions to business operations (Gichohi, Iravo & Muchelule, 2024).

Empirical Review

Risk Transfer and Project Performance

Oko-Osi, Ajemunigbohun and Abiodun (2023) examined on risk transfer and project success: evidence from building construction companies in Lagos State, Nigeria. The study adopted a cross- sectional survey research design; with combination of both judgmental and convenience sampling techniques. The study population consisted of sixty-nine registered building construction firms in Lagos State. Thus, a structured questionnaire was adopted in the distribution and data collection processes. Eight-seven were used as sample size and in the data analytical procedure. The study found that risk transfer has a positive relationship with project success. The study concluded that risk transfer play a positive and significant effect of project success project success among building construction companies in Lagos, Nigeria.

Rutabubura and Mulyungi (2020) researched on the influence of the risk transfer on project success in access to finance Rwanda. Conclusive research design has been selected for this study. The sample size is of 169 from a population of 291 using Slovin's formula. The study found a negative association between risk transfer and performance of Access to Finance Rwanda. The study concluded that insuring project staff has a positive and high effect on performance of Access to Finance Rwanda.

Maghanga and Lewa (2021) conducted a study on the influence of risk transfer on the performance of cement manufacturing firms' projects in Kenya. This study adopted a cross sectional survey research design. The sample size of this study is calculated from the Slovin's formula .Therefore a sample size of 62 respondents was adopted for the study. The study found that the relationship between risk transfer and performance of cement manufacturing firms' projects in Kenya is significant. The study concluded that project performance is being influenced by risk transfer.

Kimani and Kirui (2020) assessed on risk transfer strategy and performance of construction projects in public secondary schools in Murang'a County, Kenya. The study employed descriptive research design while judgmental or purposive sampling technique was used to select public secondary schools in Murang'a County to participate in the study. The study found that risk transfer strategy has weak influence on performance of construction projects. The study concluded that risk transfer strategy has a significant influence on performance of construction project in secondary schools.

Odhiambo and Senelwa (2021) investigated on the effect of project risk transfer strategy on project sustainability of NGO healthcare projects in south Nyanza, Kenya. The target population of the study was the project managers of the NGO healthcare projects in South Nyanza. Census survey design was used in the present study on the 93 project managers of the 93 NGO projects in South Nyanza. The study found that risk transfer strategy has a positive significant effect on project sustainability. The study concluded that risk transfer strategy is significantly important in increasing the project sustainability in the organizations.

Risk Prevention and Project Performance

Bukar and Ibrahim (2021) researched on investigating the impact of risk prevention on project performance in construction industry: evidence from Nigeria. A quantitative research design was used and adopting a descriptive study. Survey questionnaires used in collecting data from 84 sample respondents. The study found that there is statically significant relationship between risk prevention and project performance. The study concluded that risk prevention has a statistically significant impact on the project performance.

Igihizo and Irechukwu (2022) assessed on risk prevention and performance of Mpazi Channel Construction Project in Nyabugogo, Kigali-Rwanda. The descriptive research design with a mixed qualitative and quantitative approach was used to a sample of 118 respondents selected

from 168 target population using stratified sampling technique and Sloven's formula. The study found that risk prevention and performance of Mpazi channel construction project has a highly positive and significant relationship. The study concluded that risk prevention has an impact on the performance of the Mpazi Channel construction project.

Mutunga and Ondara (2021) conducted a study on risk prevention and project performance at Kenya Airports Authority. The examination plan for this investigation was descriptive. The research population was made up of 281 staff which was from KAA projects' board division. From this population, a sample of 141 staff was considered. The study found that risk prevention had significant effect on project performance at Kenya Airport Authority. The study concluded that risk prevention contributes significantly to project performance at Kenya Airport Authority.

Nguru and Kaburu (2023) investigated on risk prevention and performance of projects in Kenya power limited. The study embraced descriptive research approach. The 198 members of the project management team and contractors who participated in the study served as both observational and analytical units. The study found that risk prevention significantly drives performance of projects at Kenya Power Limited. The study concluded that risk prevention influences the performance of KPL projects.

Gichohi, Iravo and Muchelule (2024) examined on risk prevention on the performance of road construction projects in Kenya. This study adopted cross-sectional research design and used a positivist research paradigm. The target population for the research was 695 respondents and the overall sample size for this study was determined using a formula by Krejcie and Morgan which obtains 248 respondents. The study found that risk prevention is statistically significant in explaining performance of road construction projects in Kenya. The study concluded that risk prevention has a positive and significant relationship with performance of road construction projects in Kenya.

RESEARCH METHODOLOGY

This study used a descriptive research design. This study targeted housing projects financed by commercial banks. The unit of analysis is what is being targeted in the research. According to central bank of Kenya (2023), there are 43 registered commercial banks in Kenya and all of them have their headquarters in Nairobi County. The target population was 13 bank housing projects in Nairobi County. From every housing project the study targeted the project managers, project engineers, quantity surveyor, architect, electrical engineer, structural engineer, and procurement officers as the unit of observation. The target population therefore comprised of 91 housing project team members. To select the study respondents, census sampling technique was employed. This sampling method was chosen for it allows a researcher to focus on a limited number of informants that is selected purposively from the project based on convenience to get the required information to carry out the study in order to get optimal information. This implies that all the 91 housing project team members participated in the study

Primary data was used in this study and was obtained using semi-structured questionnaires. Inferential and descriptive statistics was employed for analysis of quantitative data with the assistance of Statistical Package for Social Sciences (SPSS version 25).

DATA ANALYSIS AND FINDINGS

Out of 91 questionnaires which were distributed, 71 were duly filled and returned. The drop-off and pick-up-later method yielded the high response rate of 78%. According to Babbie (2019), a response rate of 75 per cent is adequate for analysis as well as making conclusions and inferences about a population. In addition, Kumar (2019) indicates that a response rate of 60% and above is acceptable for analysis. Further, Egbert (2015) indicates that a response rate of 50% should be considered average, 60% to 70% considered adequate while a response rate of above 70% should be regarded as excellent. This implies that the response rate of 78% was adequate for analysis, drawing conclusions and reporting.

Descriptive statistics

Risk Transfer and Project Performance

The first specific objective of the study was to establish the effect of risk transfer on project performance of commercial banks in Nairobi City County, Kenya. The respondents were requested to indicate their level of agreement on various statements relating to risk transfer and project performance of commercial banks in Nairobi City County, Kenya. The results were as presented in Table 1.

From the results, the respondents agreed that insurance policies are reviewed regularly to ensure they adequately cover identified risks (M=3.846, SD= 0.879). The respondents also agreed that key risks have been identified and are being considered for coverage under suitable insurance plans (M=3.831, SD= 0.904). In addition, the respondents agreed that risks have been assessed for potential transfer through outsourcing arrangements (M=3.816, SD= 0.789).

Further, the respondents agreed that contracts with outsourced partners clearly define responsibilities for managing specific risks (M=3.796, SD= 0.937). The respondents also agreed that potential partnerships are being explored to share or transfer specific risks (M=3.689, SD= 0.876). In addition, the respondents agreed that partners with complementary risk management strategies are being identified for potential collaboration (M=3.634, SD= 0.687).

Table 1: Risk Transfer and Project Performance

	Mean	**Std. Deviation**
Insurance policies are reviewed regularly to ensure they adequately cover identified risks.	3.846	0.879
Key risks have been identified and are being considered for coverage under suitable insurance plans.	3.831	0.904
Risks have been assessed for potential transfer through outsourcing arrangements.	3.816	0.789
Contracts with outsourced partners clearly define responsibilities for managing specific risks.	3.796	0.937
Potential partnerships are being explored to share or transfer specific risks.	3.689	0.876
Partners with complementary risk management strategies are being identified for potential collaboration	3.634	0.687
Aggregate	**3.769**	**0.845**

Risk Prevention and Project Performance

The second specific objective of the study was to investigate the effect of risk prevention on project performance of commercial banks in Nairobi City County, Kenya. The respondents were requested to indicate their level of agreement on various statements relating to risk prevention and project performance of commercial banks in Nairobi City County, Kenya. The results were as presented in Table 2.

From the results, the respondents agreed that employees receive regular training to enhance their ability to identify and manage risks (M=3.808, SD= 0.611). The respondents also agreed that training programs include feedback loops to assess effectiveness and improve risk awareness (M=3.721, SD= 0.908). Further, the respondents agreed that continuous monitoring ensures product/service quality meets established standards and mitigates associated risks (M=3.661, SD= 0.776).

From the results, the respondents agreed that quality control measures are updated proactively to address evolving risks and maintain consistency (M=3.654, SD= 0.967). In addition, the respondents agreed that robust security protocols are in place to protect physical and digital

assets from potential threats (M=3.621, SD= 0.786). Further, the respondents agreed that regular audits and assessments verify the effectiveness of security measures and identify areas for improvement (M=3.563, SD= 0.789).

Table 2: Risk Prevention and Project Performance

	Mean	Std. Deviation
Employees receive regular training to enhance their ability to identify and manage risks.	3.808	0.611
Training programs include feedback loops to assess effectiveness and improve risk awareness	3.721	0.908
Continuous monitoring ensures product/service quality meets established standards and mitigates associated risks.	3.661	0.776
Quality control measures are updated proactively to address evolving risks and maintain consistency	3.654	0.967
Robust security protocols are in place to protect physical and digital assets from potential threats.	3.621	0.786
Regular audits and assessments verify the effectiveness of security measures and identify areas for improvement.	3.563	0.789
Aggregate	**3.671**	**0.806**

Project Performance

The respondents were requested to indicate their level of agreement on various statements relating to project performance of commercial banks in Nairobi City County, Kenya. The results were as presented in Table 3.

From the results, the respondents agreed that projects are managed to stay within allocated budgets, ensuring financial discipline (M=3.968, SD= 0.905). In addition, the respondents agreed that budget adherence is maintained through effective resource allocation and cost control (M=3.859, SD= 0.885). Further, the respondents agreed that projects are completed within agreed-upon timelines, demonstrating efficient planning (M=3.800, SD= 0.605).

The respondents also agreed that timely project completion is facilitated by proactive scheduling and execution (M=3.785, SD= 0.981). In addition, the respondents agreed that projects successfully achieve their predefined objectives, demonstrating strategic alignment (M=3.777, SD= 0.878). Further, the respondents agreed that objective achievement is assessed using clear performance metrics and stakeholder feedback (M=3.678, SD= 0.897).

Table 3: Project Performance

	Mean	Std. Deviation
Projects are managed to stay within allocated budgets, ensuring financial discipline.	3.968	0.905
Budget adherence is maintained through effective resource allocation and cost control.	3.859	0.885
Projects are completed within agreed-upon timelines, demonstrating efficient planning.	3.800	0.605
Timely project completion is facilitated by proactive scheduling and execution.	3.785	0.981
Projects successfully achieve their predefined objectives, demonstrating strategic alignment.	3.777	0.878
Objective achievement is assessed using clear performance metrics and stakeholder feedback.	3.678	0.897
Aggregate	**3.811**	**0.859**

Correlation Analysis

The present study used Pearson correlation analysis to determine the strength of association between independent variables (risk transfer and risk prevention) and the dependent variable (project performance of commercial banks in Nairobi City County, Kenya). Pearson correlation coefficient range between zero and one, where by the strength of association increase with increase in the value of the correlation coefficients.

Table 4: Correlation Coefficients

		Project Performance	Risk Transfer	Risk Prevention
Project Performance	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	71		
Risk Transfer	Pearson Correlation	.826**	1	
	Sig. (2-tailed)	.002		
	N	71	71	
Risk Prevention	Pearson Correlation	.871**	.278	1
	Sig. (2-tailed)	.000	.076	
	N	71	71	71

Further, the results revealed that there is a very strong relationship between risk transfer and project performance of commercial banks in Nairobi City County, Kenya (r = 0.826, p value =0.002). The relationship was significant since the p value 0.002 was less than 0.05 (significant level).The findings are in line with the findings of Oko-Osi, Ajemunigbohun and Abiodun (2023) that there is a very strong relationship between risk transfer and project performance.

The results also revealed that there was a very strong relationship between risk prevention and project performance of commercial banks in Nairobi City County, Kenya (r = 0.871, p value =0.000). The relationship was significant since the p value 0.000 was less than 0.05 (significant level). The findings are in line with the results of Mutunga and Ondara (2021) who revealed that there is a very strong relationship between risk prevention and project performance.

Regression Analysis

Table 5: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.239	0.061		3.918	0.000
	risk transfer	0.357	0.098	0.356	3.643	0.003
	risk prevention	0.375	0.099	0.376	3.788	0.001

a Dependent Variable: project performance of commercial banks in Nairobi City County, Kenya

The regression model was as follows:

$$\mathbf{Y = 0.239 + 0.357X_1 + 0.375X_1 + \varepsilon}$$

The results revealed that risk transfer has significant effect on project performance of commercial banks in Nairobi City County, Kenya, β1=0.357, p value= 0.003). The relationship was considered significant since the p value 0.003 was less than the significant level of 0.05. The findings are in line with the findings of Oko-Osi, Ajemunigbohun and Abiodun (2023) that there is a very strong relationship between risk transfer and project performance.

In addition, the results revealed that risk prevention has significant effect on project performance of commercial banks in Nairobi City County, Kenya, β1=0.375, p value= 0.001).

The relationship was considered significant since the p value 0.001 was less than the significant level of 0.05. The findings are in line with the results of Mutunga and Ondara (2021) who revealed that there is a very strong relationship between risk prevention and project performance.

Conclusions

the study concludes that risk transfer has a significant effect on project performance of commercial banks in Nairobi City County, Kenya. The study findings revealed that insurance, outsourcing and partnerships influences project performance of commercial banks in Nairobi City County, Kenya.

The study also concludes that risk prevention has a significant effect on project performance of commercial banks in Nairobi City County, Kenya. The study findings revealed that training, quality control and security measures influences project performance of commercial banks in Nairobi City County, Kenya.

Recommendations

The study recommends that the management of commercial banks in Kenya should implement a robust risk transfer strategy through comprehensive insurance and outsourcing arrangements. Specifically, banks should consider transferring high-impact or high-frequency risks to third parties by securing appropriate insurance policies and outsourcing certain operational functions to specialized service providers.

The study also recommends that the management of commercial banks in Kenya should implement a rigorous risk prevention framework through comprehensive training and development programs. By investing in ongoing training for employees on risk management best practices, regulatory compliance, and emerging industry threats, banks can proactively identify and address potential risks before they impact project outcomes.

Suggestions for Further Studies

This study was limited to the effect of risk mitigation strategies on project performance of commercial banks in Nairobi City County, Kenya hence the study findings cannot be generalized to project performance in other organizations in Kenya. The study therefore suggests further studies on the effect of risk mitigation strategies on project performance in other organizations in Kenya.

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