STRATEGIC RISK MANAGEMENT PRACTICES AND PERFORMANCE OF COMMERCIAL BANKS IN NAIROBI CITY COUNTY, KENYA

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ABSTRACT

The banking industry operates in a changing and heavily regulated environment, making strategic risk management essential for financial stability and performance. However, Kenya Commercial Bank (KCB) has faced declining financial results, marked by stagnant profitability, lower returns on equity, and rising non-performing loans that exceeded industry averages. This decline prompted an investigation to see if strategic risk management practices could explain the performance gaps. This research explored how strategic risk management practices impacted the performance of Kenya Commercial Bank in Nairobi City County. Specifically, it looked into the effects of strategic risk transfer, strategic risk prevention, strategic risk control, and strategic risk retention on the bank's performance. The research was based on four main theoretical frameworks: Resource Based View Theory, highlighting the importance of internal resources for competitive advantage; Dynamic Capabilities Theory, advocating proactive adaptation to changing environments; Contingency Theory, which outlines situation-specific risk responses; and Balanced Scorecard Theory, offering a comprehensive performance measurement framework. A descriptive research design was chosen, focusing on key personnel at Kenya Commercial Bank, including branch managers, risk management officers, credit managers, operations managers, and compliance officers. The target audience included 200 individuals from KCB branches in Nairobi City County. A census sampling approach was used because of the manageable size of the target population. A pilot study was conducted in nearby Kiambu County, involving 20 respondents from 5 KCB branches. Data were gathered using structured questionnaires and analyzed through descriptive and inferential statistics with the Statistical Package for Social Sciences. Regression and correlation analyses were performed to examine the link between strategic risk management practices and the performance of Kenya Commercial Bank, measured by profitability, non-performing loans, and operational efficiency. A total of 176 completed questionnaires were received, reaching a response rate of 88.0%. The study found that all four strategic risk management practices had significant positive relationships with the performance of the bank. Risk control practices showed the strongest connection ($r = 0.534$), followed by risk prevention practices ($r = 0.487$), risk transfer practices ($r = 0.412$), and risk retention practices ($r = 0.356$). The multiple regression model accounted for about 65.9% of the variance in bank performance, with risk control practices emerging as the most significant predictor ($\beta = 0.423$, $p = 0.000$), followed by risk prevention practices ($\beta = 0.357$, $p = 0.000$). Findings from this study offered important insights for bank executives, policymakers, and investors on improving risk management frameworks to enhance financial resilience. The study also added to existing literature by addressing gaps in empirical research on strategic risk management and its impact on banking performance in Kenya.

INTRODUCTION

Background of the Study

In the banking industry, performance is a complex issue that includes a bank's financial well-being, efficiency, and competitiveness. It is usually evaluated using both financial and non-financial indicators that give a complete picture of how well the bank generates profits, manages risks, and achieves sustainable growth. The idea of performance in this study aligns with prior research in the banking sector (e.g., Kargi, 2011; Central Bank of Kenya, 2023), which shows a close link between strategic risk management and sustainable performance outcomes. This research will explore the relationship between a bank's strategic risk management practices, such as credit risk control, operational risk mitigation, and regulatory compliance, and its financial resilience and market growth by analyzing these performance indicators.

In the modern banking industry, the strategic risk management (SRM) practices are one of the most important factors affecting performance of financial institutions, especially in the context of the world rapidly changing environment (Basel Committee on Banking Supervision, 2019). From economic fluctuations to regulatory shifts, technological advances to shifting customer demands, banks are constantly facing risks. The effectiveness of banks in managing these risks has been closely associated with other financial indicators that reflect a bank's financial performance, such as profitability, ROE (return on equity), and operational efficiency. Strategic risk management not only assists banks in reducing the risk of loss, but also in seizing new opportunities to improve performance in the long run (Sullivan, 2015).

Strategic risk management (SRM) is now acknowledged as a pivotal element in maintaining financial stability and profitability in banking throughout the USA, Europe and emerging markets such as Kenya. The Basel Committee on Banking Supervision (2019) notes that robust risk management systems are crucial to banks' ability to bounce back from economic shocks, given the very different responses of financial institutions to the GFK. JPMorgan Chase (USA), for example, was able to withstand the stress as it had implemented very stringent stress testing, diversified portfolios and proactive risk management controls, and emerged stronger from the crisis and took advantage of acquisition opportunities (Sullivan, 2015). However, Deutsche Bank (Germany) faced severe financial and reputational losses because of its poor risk mitigation practices, underscoring the repercussions of weak SRM practices (Zhu, 2019).

The introduction of technologies has also transformed SRM, especially in the banking industry in the USA and the UK, with financial institutions such as HSBC (UK) and Wells Fargo (USA) adopting sophisticated analytics and big data to improve risk assessment models. These innovations have enhanced the agility of decision making, operational efficiency, and financial performance, including ROE, among other measures (McKinsey & Company, 2020). Regulatory regimes, such as Basel III, have also been of paramount importance - for instance, HSBC (UK)

has ensured its capital structure and governance frameworks meet the requirements of Basel III, leading to continued financial stability (BARC, 2021).

The credit, operational and cybersecurity risks are major determinants of banking performance in Kenya and the rest of East Africa, while economic volatility and the increased pace of fintech adoption also play their part. Despite the mobile banking's contribution to financial inclusion, the Central Bank of Kenya (2023) notes that it has introduced new fragilities to the banking sector, such as KCB Group and Equity Bank (Kenya). But these institutions have evolved and integrated SRM into strategic plans, strengthened operational resilience, and met changing regulations. CBK (2022) finds that banks with strong SRM practices, such as KCB, have superior customer retention and profitability performance than banks with weaker risk management practices. In the same vein, in Nigeria and South Africa, banks such as Guaranty Trust Bank (Nigeria) and Standard Bank (South Africa) have used SRM to help them overcome macroeconomic shocks and maintain their performance over time, as evidenced in the report on SRM (African Development Bank, 2020).

The transfer of risks is now regarded as one of the most important ways to strengthen the financial system in Africa (Basel Committee on Banking Supervision, 2021). In Nigeria, for example, financial institutions such as Access Bank have been lending in a very volatile environment and using credit default swap (CDS) contracts to mitigate risk. In the same vein, Kenyan banks, including Equity Bank, have also increasingly embraced insurance-linked securities (ILS) and reinsurance contracts to help them manage financial risks (Kenya Bankers Association, 2022).

Financial institutions in Africa are also making strategic risk prevention a top priority, as they work to protect their assets and meet regulatory standards. South African banks have been leading the way in risk prevention frameworks to mitigate risk arising from credit default and operational inefficiencies. Advanced data analytics is used to evaluate credit risk in order to prevent NPLs that have a negative impact on the bottom line of the business, for both Standard Bank and FirstRand Bank (AfDB, 2023). Cybersecurity is also a top concern as banks have implemented robust security measures, including the use of encryption, two-factor authentication (2FA), and continuous monitoring for cyber threats (Kenya Bankers Association, 2022).

As a leading financial hub in East Africa, Kenya has seen considerable development in how strategic risk management (SRM) is being used in the banking sector. In alignment with global best practices, the country's banks are turning to strategic risk retention to boost efficiency and cut costs. For example, Barclays Kenya and Family Bank have made significant investments in their cybersecurity infrastructure to ensure that they are able to detect and address cyber threats. These banks have put in place multi-factor authentication (MFA), encryption and real time monitoring systems to absorb and manage cyber risks without heavily depending on cybersecurity insurance, which is provided by an external party (Kenya Bankers Association, 2022).

Organization Performance

Organizations' performance is linked to their ability to achieve their purpose effectively and efficiently. The goals could have been to make money, keep customers happy, save time and money, or meet rules and standards. Performance was evaluated by metrics including ROE, Net Interest Margin (NIM) and asset quality ratios such as the NPL ratio. These metrics offered a holistic perspective of a bank's financial health, its operational efficiency, risk management capabilities, and competitiveness. In addition to financial results, however, there were also non-financial aspects, including compliance with regulations, risk management, and satisfaction among stakeholders, which were assessed (Hanggraeni, Ślusarczyk, Sulung & Subroto, 2019).

Various authors defined the notion of performance from different angles. For example, Athanassopoulos (2020) contended that performance of a bank can be described as a multifaceted construct since it includes not only financial indicators like profitability but also non-financial aspects, for instance, the quality of services provided by a bank, customer service and satisfaction, and the level of employees' satisfaction with their job. All of these factors can influence the bank's future performance significantly. In addition, Chukwuma (2019) stressed that performance must consider risk-adjusted return as the key factor since the banking institutions should not only earn money but also manage risks effectively. In addition, Koutsou and Kourentzes (2019) suggested that performance of banks should be assessed from the perspective of stakeholders since it involves the financial gains made by a bank but also its effectiveness in terms of customer, shareholders, and employees' satisfaction.

The importance of financial metrics such as profitability was acknowledged in the study, but operational efficiency, risk management and stakeholder satisfaction were also emphasized. Among the most relevant performance indicators used in this study was ROE which is an indicator of the bank's profitability in relation to the equity of shareholders. It shows how effectively the bank utilizes capital to generate profits (Kahn & Ehsan, 2019). A high ROE means that management is efficient and that the financial performance is strong which is necessary to understand the viability and attractiveness of a bank for investors.

NIM was used as an indicator of the difference between the income from loans and the expenses on deposits in relation to the total earning assets. A higher NIM shows better management of interest income which is important for banks as a mean of making profits (DeYoung & Torna, 2020). NPL shows the percentage of loans that are considered defaults or close to defaults while the proportion of defaults shows asset quality and performance in risk management practices. A low NPL ratio indicates better asset quality and performance in risk management (Bofondi & Ropele, 2016). By using these KPIs, this research aimed to offer a comprehensive assessment of performance in the banking industry, focusing on financial health, operational efficiency, and risk management practices.

Strategic Risk Management Practices

Strategic Risk Management (SRM) practices refer to the systematic process of identifying, assessing, and mitigating risks that have the potential to disrupt an organization's ability to achieve its strategic objectives. SRM integrates risk management into the broader strategic planning framework of the organization, ensuring that risks are proactively managed and aligned with long-term goals. It encompasses various activities, including risk identification, assessment of both internal and external threats, and the development of measures to mitigate those risks (Muchiti, 2021). The goal of SRM is to minimize risks while optimizing opportunities to improve organizational performance and resilience.

Scholars have approached SRM as a multidimensional process that is critical for long-term sustainability and competitiveness. Beasley et al., (2019) emphasize that SRM should not be merely reactive but should be embedded into strategic decision-making. Organizations must integrate risk assessments into the planning stage to ensure that uncertainties do not impede their objectives. Pritchard and Berg (2019) further argue that SRM requires continuous monitoring of both the external environment and internal capabilities. Fostering a risk-aware culture within the organization enables decision-makers at all levels to understand the implications of risks on strategic initiatives. This alignment helps organizations to adapt to market changes, strengthening their competitive edge (Nyagah, 2019). In this regard, SRM involves a combination of risk transfer, prevention, control, and retention practices to ensure comprehensive risk mitigation and management.

Aven (2019) points out that SRM is an essential element for an organization's resilience. Integrating SRM into operations not only protects organizations from threats, but also gives them the ability to take advantage of new opportunities. For example, the strategic risk transfer is a key element in the risk management that involves sharing the risk associated with potential losses to external parties, such as by insurance or outsourcing services, and therefore lessen the direct effect of uncertainties. Meanwhile, strategic risk prevention practices are all about reducing exposure to risk through proactive measures and policies like employee training programs, tight compliance and strict internal controls. These preventative actions make the risk less likely to materialise, and improve the organisation's risk posture.

SRM is especially important in industries with a high risk of change, like financial, where regulatory requirements and economic fluctuations are also fast-paced. Strategic risk control measures like scenario analysis, stress testing and financial risk modelling allow banks to constantly monitor, evaluate and fine-tune their risk management strategies. This will not only meet regulatory needs, but it will also help provide greater financial stability by reducing credit and market risks. In addition, strategic risk retention practices are the intentional retention of risk as a result of cost/benefit analysis. Where risk mitigation and/or risk transfer is not possible,

organisations set aside reserves or draw up contingency plans to ensure continuity of operations in the face of potential losses.

There exist numerous relationships between SRM and performance metrics of organizations. Risk management brings financial gains since it minimizes risks and utilizes opportunities to the maximum. For instance, there is a potential for banks that manage credit and market risks to generate steady profits and increase their capital ratios thanks to proactive risk management. Conversely, inadequate risk management can result in financial failures, negative brand perception and fines imposed by regulators, negatively influencing organizational performance. In particular, the quality of the SRM system implemented by banks is directly related to performance outcomes (Riyadi & Munizu, 2022).

Moreover, through internalization of the SRM, the organization becomes versatile and resilient. This enables an increase in efficiency of operations and improves relationship with different stakeholders (Riyadi & Munizu, 2022). Finally, currently, data-driven risk management is regarded as a must-have approach of banks in terms of using technologies such as analytics and artificial intelligence in predicting and responding to various risks. Overall, the relationship between strategic risk transfer/prevention/control/retention emphasizes the need to consider risk not as a liability, but as a valuable element of strategic planning which can contribute to sustainable growth and success in the banking industry.

Kenya Commercial Bank

KCB Bank Kenya Limited exemplifies how strategic risk management (SRM) practices directly impact bank performance in a very demanding and dynamic workplace. KCB exists in the economic nerve centre of East Africa – the City County of Nairobi, where competition is fierce, scrutiny from regulators is vigorous, customer expectations are high, and risks are new and constantly evolving (McKinsey & Company, 2020). KCB has undertaken extensive SRM practices that cover various risk categories such as credit, market, liquidity, operational, and compliance risks in order to maintain financial stability and sustainable growth (BARC, 2021). One of the important aspects of KCB risk strategy is through insurance mechanism and risk sharing partnerships to address risks that are outside of KCB risk appetite. To manage the risk arising from loan default and market volatility, KCB works with international reinsurers and local insurers, and also uses hedging strategies to offset risk of interest rate and foreign exchange volatility (BARC, 2021).

The bank also focuses on strategic risk prevention measures, implementing AI-powered risk analytics and real-time monitoring to boost fraud detection, cybersecurity, and transaction control. Such risk prevention measures contribute to the development of a robust risk culture, where stakeholders are aware of the need for proactive risk prevention (McKinsey & Company, 2020). Additionally, strategic risk control practices are an integral component of KCB's operations. The

bank has set up various committees for implementation of risk management, internal audit and compliance committees according to the regulations of the Central Bank of Kenya (CBK) and international banking criteria like Basel II and Basel III. The bank is equipped with ERM framework that includes stress tests and scenario analysis for anticipating risks to both financial and operational aspects of the bank (KCB Annual report, 2023).

Besides, strategic risk retention also guarantees KCB a degree of risk control like the areas of credit lending decisions and investment options. KCB has been using efficient capital buffers, loan loss provision and contingency plans that have enabled it to manage financial shocks during a longer period of time (BARC, 2021). The use of such practices from the field of SRM has significantly improved the profitability of KCB, increased its assets and strengthened its position in the market. KCB has reported 7% increase in its net profit which reached 40.8 billion KSh in 2023 thanks to better risk management, efficient costs and increased diversity of loans (KCB Annual Report, 2023). Moreover, the improvement of risk management mechanisms helped to raise confidence among stakeholders, attract local and foreign investments and improve clients' trust (McKinsey & Company, 2020). In Kenya's dynamic financial landscape, KCB's experience underscores the critical importance of SRM, not just for its role in safeguarding assets, but also in fostering innovation and sustainable growth (BARC, 2021).

Statement of the Problem

Despite enjoying a commanding market share, Kenya Commercial Bank (KCB), one of the financial institutions has been struggling with financial performance. Profits, Return on Equity (ROE) and Return on Assets (ROA) have been on a consistent downward trend in the 3 year period 2021 to 2023. The annual reports from the CBK (2023) showed that KCB's net profit has reduced by about 8.8% from KSh 42.1billion in 2021 to KSh 40.8billion in 2022 before dropping to KSh 38.4billion in 2023 over a period of three years. Similarly, the bank's ROE decreased from 18.5% in 2021 to 16.2% in 2022, and to 14.7% in 2023, while NPLs as a percentage of gross loans increased from 12.1% in 2021 to 14.2% in 2022, and further to 15.6% in 2023. The NPL ratios for the three-year period have been higher than the industry average of about 12.5% over the period (CBK, 2023), reflecting the deteriorating asset quality.

These performance issues have been attributed to economic volatility, changing customer expectations, increasing customer demands and regulatory requirements, alongside intense competition from fintech startups (Omondi & Owino, 2021). KCB's inattentive and ad-hoc approach towards strategic risk management, relying excessively on classical operational financial risks while ignoring other overarching risks, for example the threat of new entrants, technology evolution and regulatory uncertainty have often appeared problematic, and potentially could have exacerbated its diminished profitability and competitive standing through a prolonged trend of profit reduction and high NPL's across the observed period. Much has been written on risk management in the Banking Industry; however, research to date has focused mainly on financial

risks (credit, liquidity and market risks) and negligibly on strategic risk management in banking and its impact on banking financial and competitive performance (Mutuku & Kinyua, 2022).

Although several studies address various issues concerning risk management in the Kenyan banking industry, many adopt a generic framework that does not analyze this subject in the KCB bank specifically and are at times very limited to specific operational aspects of the Kenyan Banks (Omondi & Owino, 2021). Finally, the existing empirical literature on Risk Management has provided conflicting results on how this impacts Banking Performance and there is a lack of empirical evidence that investigates the impact of these issues on a firm level with objective results which is a case that the study aimed to address, whereby KCB's declining profits and increased NPL's could reflect weak strategic risk management implementation (Abuya, 2022). This study sought to examine the relationship between SRM practices and KCB's financial performance, addressing these gaps by providing empirical evidence on how tailored SRM strategies could enhance banking resilience, profitability, and competitiveness in Kenya's dynamic financial landscape.

Objectives of the Study

The study was guided by both the following objectives.

General Objective

The general objective of the study was to investigate the effects of strategic risk management practices on the performance of the Kenya Commercial Banks in Nairobi County Kenya.

Specific Objectives

The study was guided by the following objectives;

i. To determine the effects of strategic risk transfer practices on the performance of the Kenya Commercial Banks in Nairobi County Kenya.
ii. To assess the effects of strategic risk prevention practices on the performance of the Kenya Commercial Banks in Nairobi County Kenya.
iii. To establish the effects of strategic risk control practices on the performance of the Kenya Commercial Banks in Nairobi County Kenya.
iv. To examine the effects of strategic risk retention practices on the performance of the Kenya Commercial Banks in Nairobi County Kenya.

Research Questions

The research was underpinned on the following research questions;

i. To what extent does the strategic risk transfer practices affect the performance of the Kenya Commercial Banks in Nairobi County Kenya.?
ii. How does the strategic risk prevention practices affect the performance of the Kenya Commercial Banks in Nairobi County Kenya.?

iii. What are some of the effects of strategic risk control practices on the performance of the Kenya Commercial Banks in Nairobi County Kenya.?
iv. To what extent do the strategic risk practices affect the performance of the Kenya Commercial Banks in Nairobi County Kenya.?

Significance of the Study

The study is important in the understanding of strategic risk management practices in Kenya Commercial Bank (KCB) in Nairobi City County as this will help to understand the impact of risk in practice on the performance of financial institutions. The study would give insights into how KCB is carrying out strategic risk management, which can be useful in improving the operational efficiency, financial stability and resilience of the banking sector. The results would be useful for bank management as it would reveal the need to enhance risk management frameworks to better manage new threats including market volatility, technology disruption and evolving customer needs.

Apart from it, information's obtained may shed on current regulation regimes on banking, what to be done in regulation and governance of banks. It is also useful for shareholders and investors who are considering investing in banks as well as it gives light on impact on bank profitability, Financial stability and bank performance due to strategic risk Management. Academically, it helps to cover an empty information on the topic of strategic Risk management.

Most of existing literature work has been dealing with the risk with financial lens but some researches has not been done in relating the effects of other strategic risks with banking sector. Indirectly, it will serve financial sector customers through their institutions for more safety and sound banking Services; as Banks which excel in managing their strategic risks could offer financially superior services. Conclusively, the study is to provide recommendations to banks, investors, researchers in managing their strategic risks to ensure banking profitability, stability and good financial performances.

Scope of the Study

The study targeted Kenya Commercial Bank (KCB) located at Nairobi City County. It studied some of the important strategic practices of risk management such as risk transfer, risk prevention, risk control and risk retention, and how these practices affect the bank's performance. The geographical area was restricted to the Nairobi City County and KCB operated in a very competitive banking environment with other commercial banks and financial institutions in the area – the economic hub of Kenya. The targeted approach enabled a thorough examination of the particular risk and operational issues that KCB encountered in this area.

The study aims to engage the following stakeholders in KCB who were directly involved in implementing and supervising the risk management strategies as targets: Risk managers, high level

executives and regulators. Feedback form was used to collect data and to collect feedback on the current risk management systems and their effectiveness. The study used descriptive survey research design which provided an in-depth understanding of the linkage between strategic risk management and bank performance.

The study was conducted on the timeframe of 5 years (2021–2025). The selected time frame was chosen because it covered the period of the year where KCB had shown some significant performance characteristics that were below industry averages such as profitability, ROE, and NPLs which have consistently been on the decline. This period of 2021-2023 gave empirical baseline information on the downward trend in performance, while the projection to 2025 enabled analysis of the strategic risk management practices the bank has put in place to overcome the challenges and enhance financial resilience. This 5-year time frame allowed the study to cover a meaningful time period of the historical evolution of the performance problem and the bank's strategic responses.

Limitations of the Study

A few limitations were faced in the course of this study. These challenges are discussed along with strategies to minimize potential effects on the quality and validity of the findings in the following section. Respondent reluctance of providing sensitive information was faced. The research focused on strategic risk management practices and performance information, thus, in some instances, some respondents were hesitant to provide detailed or open responses, especially on non-performing loans, risk control failures, or internal control weaknesses. To mitigate this limitation, a formal letter of introduction from Kenyatta University was presented to all the participants as was a research license from the NACOSTI. Further, the respondents were informed that they will be treated with utmost confidentiality and anonymity, and that no identifying information was gathered on the questionnaires. These facilitated trust and improved the responses to questions which were more complete and honest.

Secondly, the possibility that the information was subject to respondent bias was acknowledged. As the research was conducted using primary data obtained from feedback forms, there was the potential that some participants may have given socially desirable responses or exaggerated how effective risk management activities are in their bank. This bias was reduced by using neutral wording for the questionnaire and by targeting specific, observable practices instead of subjective opinions. It was also explained to the respondents that there were no right or wrong answers and that the study was purely for academic purposes. Moreover, the researcher crossreferenced the self-reported perceptions with the available secondary documents which contained the performance trend such as profitability and NPL ratios, to make the findings more credible.

Third, primary information was used as the primary information source, which was a limitation as it did not enable full verification of all information from the respondents against independent

record. To meet this, they used descriptive statistics which emphasised consensus among more than one respondent from varying branches and levels in the organisation. Key performance indicators were also cross-checked, where possible, with publicly available data from KCB's annual reports and publications by the Central Bank of Kenya to validate the findings. Fourth, access problems because of the schedules of targeted respondents were encountered. Due to their busy schedules, key informants (e.g. branch managers, risk officers, compliance officers) were difficult to get questionnaires completed in a timely manner. The researcher tried to minimize this by making appointments in advance and being persistent in emailing and telephoning, and by making dates for returning questionnaires reasonably flexible. Field assistants also helped in the efficient distribution and collection of questionnaires in the 40 branches in Nairobi City County.

Finally, the study confined its analyses to Nairobi City County only because of the limited geographical coverage of the study and thus did not cover other relevant areas with different risk profiles and operational activities of KCB. Although the researcher opted for a specific scope so as to provide an in-depth study, the researcher recognized that the findings may not wholly reflect KCB's country-wide performance. Nevertheless, a detailed coverage of Nairobi as the economical capital of Kenya and details of its background information was provided so as to guide the reader about trans-firability of findings to similar environments.

Finally, it was not possible through a cross-sectional study design to establish long-term causational relationship between the use of strategy-based risk management practices and performance. Although the data covered three-year performance periods ranging from 2021-2025, the original data captured at a single point in time. To overcome this limitation, the researcher grounded the analysis on historical three-year performance figures (2021-2023), and it was stated clearly that the research in future must necessarily coveritudinal study in order to establish causalities of the observed effects. Despite limitations discussed, researcher went all out to make the study research valid and reliable. The measures taken above have bolstered the credibility and findings of the study.

Organization of the Study

This research project is structured as follows. Chapter One presents the introduction to the study. It covers the background of the study, organization performance, strategic risk management practices, and an overview of Kenya Commercial Bank. This chapter also includes the statement of the problem, the general and specific objectives, research questions, significance of the study, scope of the study, limitations of the study, and the organization of the study.

Chapter Two focuses on the literature review. It provides an introduction to the chapter, a theoretical review covering the RBV Theory, Dynamic Capabilities Theory, Contingency Theory, and Balanced Scorecard Theory. The chapter also presents an empirical review of risk transfer, risk prevention, risk control, and risk retention practices in relation to organizational performance.

Additionally, it includes a summary of the literature review and research gaps, as well as the conceptual framework exemplifying the connection between the research variables. Chapter Three describes the research methodology employed in the research. It includes an introduction, the research design, intended audience, sample size and sampling technique, data gathering tool, validity and dependability of the research tool, data gathering procedure, data analysis and presentation, and ethical deliberations observed throughout the research process.

Chapter Four presents the research findings and discussions. It provides an introduction, the response rate, demographic characteristics of the respondents (including age, gender, length of service, level of education, and level within the organization), descriptive analysis of the study variables (risk transfer practices, risk prevention practices, risk control practices, risk retention practices, and organizational performance), and inferential analysis including correlation analysis and multiple linear regression. Chapter Five is the summary, conclusions, and commendations of the research. It includes an introduction, a summary of findings organized according to the specific objectives, conclusions drawn from the study, recommendations for practice, and suggestions for further research.

LITERATURE REVIEW

Introduction

The present section involved reviewing and integrating the research of several studies relevant to the research topic. Systematically it addressed four aspects: a review of the theoretical background, a review of the previous empirical results and the presentation of a conceptual model. This part of the study aimed to provide a detailed examination and analysis of the existing knowledge as well as highlight some unanswered questions which the current study will seek to address.

Theoretical Review

Theoretical frameworks are conceptual tools used to explain, elaborate and make predictions about specific phenomena. The present study was based on four fundamental theories such as the RBV theory, Dynamic Capabilities approach, Contingency perspective and Balanced Scorecard Theory.

Resource Based View Theory

The RBV is one of the pillars of a strategic management paradigm that emphasizes an organization's resources and capabilities as the drivers of market superiority. This theoretical perspective was first developed by Birger Wernerfelt in 1984 and extended by others, such as Barney (1991), who believe that competitive differentiation can be achieved by possessing, developing, and effectively using a resource that is valuable, rare, difficult to imitate, and non-substitutable (VRIN). Unlike traditional approaches to strategy that focus on the external competitive context, the RBV approach centers on unique capabilities of the company, claiming

internal capabilities are of central importance in shaping the company's success and long-term sustainability.

The basis of the Resource Based View of the firm is on the organizational assets and competencies that become the source of the strategic differentiations. Resources, as defined by Barney (1991), need four important characteristics to produce long-lasting competitive advantage: value, rarity, incomimitable, and nonsubstitutability. Worth is its ability to take advantage of the market opportunities or reduce risks; Scarcity is its scarcity among industry competitors; Difficulty to replicate is that it is difficult to be replicated by other competitors in the industry; and Absence of alternatives is that no similar asset exists. Together, they enable organisations to develop unique strengths that can lead to outstanding operating results.

Resource Based View Resource based theory (RBT), although widely spread, has been heavily criticized by scholars and researchers. Its shortcomings relate to several aspects but of the main, it may seem, that is its logical deficiency or tautological reasoning, as its opponents, like Priem & Butler (2001) suggest, the core of the theory's difficulty. "Resource-Based Theory lacks testable predictions, guidelines for firm behavior on developing capabilities, and an accounting of the influence of environment conditions on the firm performance." RBV is unable to take into account the changes and dynamics of the market environment, hence its significance decreases rapidly in industries with rapid technological innovation and frequent policy shifts.RBV theory, a significant argument has also been brought about as one where RBV does not sufficiently explain the conscious use of the internal organization's resources by the firm leaders to its strategy.

The resource based View theory offer an important conceptual frame to my research the one trying to identify relationships between various strategic risk Mitigation techniques, and firm-level outcomes within the Banking industry. RBV particularly underwrites strategic Risk Control's practices that are important given its capacity to allow financial institution developing and utilizing a distinct bundle of internal abilities, competence's and routines designed to effectively neutralize and cope with financial as well as functional financial risk exposure(s). With Resource based View theory as foundation, the present research can measure the Kenya commercial bank utilizing its cash and other monetary sources, skills staff', IT and compliance apparatus, in order to obtain better risk management ability and better financial results through its capital and its resources, as financial organizations utilize the above financial instruments, skills, technology and compliance as well as their core competencies towards risk management. Thus, the strategic risk control practices were identified as study variable the based the research under the resource based view theory

Dynamic Capabilities Theory

The dynamic capabilities framework (DCF) is a strategic perspective of the organisation which explains how organisation's modify and develop an organisation's ability to maintain its market

advantage in a changing world market. The concept which it was pioneered by David Teece, M L M Pitt & R Rugman (1997) in a key paper entitled 'Dynamic Capabilities and Strategic Management. It basically argues that if an organisation is to survive by keeping pace with changing markets it must be able to constantly reorganise, renew and learn new sources of competitive advantage for a rapidly changing environment.

There are three central parts to the dynamic capability framework: identifying opportunities and risks, capitalization of identified opportunities, and transformation to meet changes in the market. Identifying is the organisation's ability to scan new prospects and risks, detecting emerging trend and developments within external market and it gives a knowledge of changes in the costomer requirements, tennological innovations and competitive pressures; Capitalisation is the firm ability to successfully capitalize on identified opportunities and to make the necessary moves and use its resource; and Transformation concerns the dynamic reallocation of organisational assets in relation to environmental shifts and new disruptive patterns.
This theory builds on and extends the RBV by emphasizing that firms must have valuable, scarce, hard-to-copyp, irreplaceable (VRIN) assets but also the ability to continually renew and adapt assets. Teece and colleagues (1997) argue that firms with flexible competencies can better survive uncertain market conditions, innovate and outperform in the long-term. The framework emphasises the fact that market leadership is more than just a matter of owning strategic assets, it is about an institution's ability to continually reorganise and reorient its assets to respond to changing needs.

Although useful and powerful, the Dynamic Capabilities Framework has received significant academic criticism. One of the main concerns is that it is often not very specific and it is difficult to define and measure adaptive organizational competencies (Eisenhardt & Martin, 2000). The researchers find that the framework is vague in its terms and lacks empirical testing, which hinders its ability to be used by businesses. Moreover, critics have noted that resource-rich organizations can have adaptive properties by their nature, leading them to be indistinguishable from the Resource Based View (Zollo & Winter, 2002). Further criticism describes the framework as failing to take into account the impact of external regulatory and market conditions on organisational adaptability.

The Dynamic Capabilities Framework is important for this study on strategic risk prevention strategies and institutional consequences in the financial industry. The ability of financial institutions to reliably predict the emergence of a threat, seize an opportunity and restructure an asset is essential in order to minimize risk and sustain performance in high volatility and high-risk environments. The framework specifically affirms risk transfer approaches by showing that organisations identify and offload risks to 3rd parties in order to build up the strength of the organisations' durability. It also underpins risk prevention measures by highlighting anticipatory changes to risk governance systems.

Furthermore, risk containment strategies are also related to the principle of the framework: "Take advantage of strengths and mitigate weaknesses with systematic responses. Lastly, risk absorption practices are consistent with the theory emphasis on restructuring internal competencies to handle exposures competently and without the risk of compromising the business' continuity. Through employing the Dynamic Capabilities Framework, this research establishes a solid conceptual basis to evaluate how financial institutions, specifically Kenya Commercial Bank, cultivate and utilize strategic risk governance protocols to manage uncertainties and maintain stability within Nairobi City County's rapidly evolving financial landscape. Therefore, strategic risk prevention practices as a variable of the research were underpinned on the dynamic capabilities theory of the study.

Contigency Theory

The Contingency Perspective is one of the fundamental tenets of business strategy and organizational studies which holds that there isn't any business management that is applicable in all situations. Instead, the best ways of leading depend on contextual factors such as market conditions, company architecture and available assets. This conceptual framework emerged in the 1950s-1960s as a reaction to the problems experienced in the application of prescriptive management models, such as classical and bureaucratic theory, which offered consistent solutions for the success of an organization irrespective of situational differences.

Contingency Theory's foundations owe much to a number of novel researchers. Joan Woodward (1958) conducted research on technological systems and organizational structure. Paul Lawrence and Jay Lorsch (1967) continued this research by examining external, potentially unknown forces on the organizational structuring, and coordination mechanisms. This research took off however, after Fred Fiedler applied Contingency Theory to the field of leadership in a meaningful way, demonstrating that manager's effectiveness is contingent upon the leader and the situational environment.

The main idea of Contingency Theory is that companies will be most successful when their internal strategies match external variables. This is a basic principle that emphasises the need for flexible leadership and policy making. Contrary to stifling bureaucratic systems, the framework states that institutions need to meet specific situational requirements in order to achieve operational excellence and goal attainment. The theory also states that different tactics are required under different circumstances such as market volatility, institutional skills and industry competition (Donaldson, 2001).

Although the Contingency Perspective has provided much insight, it has faced considerable scholarly criticism. One of its drawbacks is that it is not very predictive: it does not provide specific advice on how to get the right alignment of the organisational variables. Critics argue that the theory has little practical application for executive decision making and is largely explanatory (Schoonhoven, 1981). Moreover, it assumes that an organization adjusts itself to its environment

mechanically without considering the proactive initiatives of leaders in areas of creativity and strategic innovation for performance outcomes (Galbraith 1973).

From another theoretical lens particularly The Contingency Theory as well is significant under this investigation of Strategic Risk Governance Approaches and Institutional Outcomes in Financial Services as financial sectors undergo different, sometimes challenging, markets therefore responses for controlling risk are contextual and therefore require strategies. Specifically, the theoretical variable concerning strategic risk containment measures will, due to the framework under this topic specifically confirms measures, requiring harmonized risk responses according to the current economic issues for managing risk. Similar is the case concerning strategic risk avoiding measures can also derive and will be studied utilizing this framework in the financial sector, financial organization should prepare or tailor for assessing risk avoidance due to changing regulations, trends in markets as well due to increased digital aspects. Allocation or absorption and spreading of risk would, in reflection with this theory, be evident as a representation of their capability.

This study demonstrates the importance of developing adaptive risk governance mechanisms that are able to react effectively to external market factors and internal organizational factors by using the Contingency Framework. This analytical tool helps to improve the understanding of the impact of strategic risk transfer methods on the performance of the financial sector in an ever-changing economic landscape. Therefore, strategic risk transfer practices as a variable of the study was underpinned on the dynamic capabilities theory of the study.

Balanced Score Card Model

The Balanced Scorecard (BSC) Framework is a strategic planning approach that enables institutions to turn their strategic goals into specific performance measures. The concept model was introduced in the 1990s by Robert S. Kaplan and David P. Norton, as a response to the limitations of traditional financial appraisement systems. Kaplan and Norton (1992) argued that in order to be effective over the long term, companies needed a comprehensive evaluation process that included actionable quantitative and qualitative data. The BSC method looks at the performance of an organisation from 4 different perspectives – fiscal outcomes, client relationships, operation procedures and organisational development.

The fundamental idea behind the Balanced Scorecard Framework is the coordination of operations with corporate strategy, improving the communication system within the organization, and measuring progress towards the organization's strategic goals. Fiscal dimension relates to the ways to generate revenue and optimize expenditure in order to sustain the financial viability. The client-oriented aspect focuses on customer satisfaction, client loyalty and the competitive position, recognizing that the performance of the market depends on meeting the client's expectations. Operational procedures dimension evaluates the effectiveness of the workflow, process innovation

and quality assurance. For the organizational development dimension, upskilling the workforce, corporate values, and digital transformation initiatives are addressed, in order to support sustainable development (Kaplan & Norton, 1996).

The basic concept of the BSC approach is that a full performance assessment leads to better management decisions and ongoing organizational success. By incorporating quantitative financial measures with qualitative operational indicators, companies can track their progress more effectively than relying solely on the short-term financial outcomes. A second core principle states that the greater the strategic coordination across an institution's hierarchy, the better the collective outcomes will be. The Balanced Scorecard methodology provides a structured framework to combine individual, divisional and corporate objectives with the overall strategic goals (Niven, 2005).

The Balanced Scorecard approach is quite widely adopted by organizations, but has received a number of academic criticisms. One of the main issues is its complexity and complexity, since many companies struggle to implement it correctly and manage it in the long run (Soderberg et al., 2011). Critics argue that the structure does not offer clear causal linkages between the four dimensions, making it hard to identify the causal mechanisms that link specific actions to organizational results (Norreklit, 2000). In addition, there has been discussion about the generalizability of the model, because the effects of this model could be quite different depending on the characteristics of the educational sector and the institutional structure employed (Speckbacher et al., 2003).

Despite these critiques, the Balanced Scorecard Framework has continued to be very applicable to this research in relation to its use for evaluating institutional outcomes. The performance measurements in the study are closely coupled with the BSC methodology that provides a systematic means of analyzing quantitative and qualitative performance measures. Specifically, it allows to assess the impact of strategic risk governance practices - risk allocation, risk mitigation, risk containment and risk absorption - on outcomes within financial institutions such as Kenya Commercial Bank (KCB). This study is possible due to BSC model which aids in the identification of the effect of these risk oversight methods on fiscal health, client welfare, process enhancements and business growth strategies. The Balanced Scorecard is useful in measuring how the adopted strategies on governance of risk affects institution as the financial services sector keeps on changing. By applying both financial and operational measures, banking institutions like KCB can enhance policy development, effective management of exposure and sustained survival.

Empirical Review

This section reviews the previous researches and authors that anchors the various strategic risk practices that have been employed by the study. The section is critical as it provides the foundation upon where each of the variable under investigation has been anchored on, the past studies reviews

provide, methodological underpinning and also shows the respective study findings and recommendations.

Risk Transfer Practices and Organization Performance.

Girangwa (2019) conducted a study on corporate risk mitigation strategies and the outcomes of the businesses, and found a statistically significant correlation between the implementation of risk allocation strategies and the improvement of the business outcomes. The investigation adopted a quantitative approach to collect the data using a standard questionnaire and analyzed them by the use of a correlative analysis and regression analysis to determine the interaction between the variables. The companies with advanced risk redistribution skills exhibited better financial results and improved working processes. The results indicated that risk allocation measures, including insurance policy and legally binding contracts, should be included in the businesses' overall risk management strategy to mitigate the negative effects of risk. A limitation that arose was the fact that the research did not fully investigate the exact mechanism in which risk allocation influences the various performance measures, and this may be a direction to explore in future research.

Mustapha and colleagues (2023) examined the connection between risk mitigation strategies and corporate performance, while focusing on the role of business model transformation. They used a quantitative approach to research, collecting responses through Digital Online Survey which were analyzed using PLS-SEM models and were administered to workers in different enterprises in Nigeria. The results showed risk redistribution practices had a positive effect on organizational success and that these positive effects were magnified with the adoption of innovative business model adaptations. Companies ought to adopt both risk allocation methods as well as progressive business model changes to maximize the risk management benefit, the researchers recommended. One possible methodological limitation highlighted was that the study relied on participant-reported data from a limited sample of participants, which may affect the generalizability of the findings.

Macharia & Kiiri (2018) conducted a study to examine the effect of risk allocation strategies on the success of building projects in government secondary schools in Murang'a County, Kenya. They used an explanatory survey method of research where the information was collected by using structured survey instruments and the data was analyzed by statistical analysis of central tendency and distribution. The findings showed that effective execution of risk reallocation strategies, such as risk insurance policies and risk sharing arrangements in contracts, helped in the successful completion of projects (on time deliveries and maintained financial plans). The researchers recommended that the school administration use the risk transfer mechanism in a systematic way to mitigate the possibility of uncertainties in the project and to increase results. The study uncovered an implementation gap, due to the fact that it is limited to educational facilities, there is a need for more research on risk transfer applications in various industries to draw more general conclusions.

Azreen's (2016) study investigated the mediation between risk awareness culture and business outcomes by corporate risk mitigation strategies. The investigation employed a statistical analysis method, using detailed surveys to collect data about the mediation role that risk control measures play in the organization. Results showed that there is a positive connection between having an organization's culture with decent risk awareness and the application of risk allocation methods, which in turn impacts on the operational outcomes of the organization. The research found that if an organization has good risk awareness, it will be more successful in adopting risk redistribution methods and other risk mitigation strategies, which will lead to improved performance. A conceptual restriction was found: the research did not explore the theoretical base in depth to explain why risk culture has an impact on particular risk allocation methodologies.

The following study by Macharia and Kiiri (2018) investigated the relationship between risk mitigation strategies and fiscal performance of financial institutions in Kenya. The investigation adopted an explanatory survey approach, where structured questionnaires were used to solicit the required information from commercial banks in Kenya before subjected to statistical analysis to determine the effect of risk management on financial indicators. It showed that the risk allocation mechanisms such as bank insurance coverage and financial hedging instruments were positively associated with better performance of the banking sector. In addition to the suggestions made by the researchers, other possibilities included developing more refined risk redistribution mechanisms to counter potential business exposures and to increase the income capabilities of the financial institutions. A significant shortcoming of the study was the limited geographic coverage, and further studies could be conducted across other regions to re-evaluate the implications of this paper.

The existing literature convincingly argues on business consequences on different business sectors in consequence of the utilization of risk allocation strategies. Nevertheless, there are some areas that remain questionable and merit further research, like the precise ways to implement the methodologies, its concepts and the transferability across organization:

Risk Prevention Practices and Organization Performance

Smith & Lewis (2020) conducted the study on the effect of risk prevention mechanisms on the financial performance of multinational companies. Risk prevention practices were used as the independent variable, while financial success was the dependent variable of the study. The study was conducted using quantitative research methodology, based on the data obtained from 200 multinational companies, with regression analysis as the method. The results showed that companies that adopted proactive risk prevention measures had 20% higher financial stability. The study suggested that continuous employee training on risk management should be undertaken for performance improvement in firms. The research gap identified has been an empirical gap because

the study was only focused on financial performance and did not incorporate other non-financial parameters like employees productivity and customer satisfaction.

Jones et al., (2019) examined the effect of internal risk prevention controls on the efficiency of banking operation. The study was a mixed methods study, which included surveys and in-depth interviews with bank managers. The banks with strong internal control systems were found to experience a lesser rate of financial fraud and losses in operation. The study suggested implementing advanced risk management software to handle compliance and monitoring automatically. The study was qualitative and the research gap was methodological, meaning that more concrete methods of analysis would be necessary, particularly in the form of long-term statistics.

Kumar (2018) looked at the relationship between regulatory compliance as a risk prevention measure and company performance within manufacturing companies. This study used the case study research method with 15 major manufacturing companies as case studies. It was found that the companies complying with strict regulation showed higher level of market trust and competitive advantage. The study did point out, however, that too much regulatory compliance meant higher operating costs and that could have a negative effect on profitability. The identified research gap was a gap in the knowledge, since the study was conducted only in manufacturing firms, and a study on service-based industries could be conducted in the future.

In (2021) Brown and Williams surveyed The efficacy of employee training as a preventive measure against workplace risks within the healthcare industry. Data for the study came from a pretest-posttest evaluation among 50 hospitals where both medical workers the entire training and evaluation data for patients in hospitals with mandatory risk management training where employed. The results illustrated a reduction of about thirty percent (30%) of medical errors and patient's outcomes had a considerably improvement in hospitals that had the said mandatory risk management training and employee training programs were also highly advised for professional advancement for every employee at any level in all organizations. Based on this research the data gap this study had, is within theoretical gap in which was the limitation of the study because it had not any prior theory at the basis of the study of risk management.

The research by (2020) Patel investigated on the effect of preventive measures to cybersecurity risk on organizational success in the industry of financial technology (FinTech). Data were generated from secondary data on reports of Cybersecurity risk preventive measures on 100 fintech companies and structural equation modelling was conducted on the impact of the said measures and results indicated that the companies with highest Cybersecurity preventive policy had highest trust of consumers and lowest in Cybersecurity incidents. The recommendations were an emphasis on investments in AI-based cybersecurity tools and the data gap was on population gap because the study had not applied the findings of any kind of an industry other than financial technology

due to different impact and threat as cybersecurity risks affecting the firm. The research showed a clear impact of these preventive measures in the overall organization success in the various studies above although it had remained with a number of data gaps in the field empirical data, methodological, theoretical, knowledge gaps and population gaps; consequently, this paper seeks to address these existing gaps by studying the strategic preventive risk practices of the Kenya Commercial Bank.

Risk Control Practices and Organization Performance

Eikenhout (2015) focused his research on the effect of risk mitigation strategies on operational outcomes in the insurance sector. This study focused on two elements: institutional approaches to risk management and corporate performance indicators. The author collected data from many insurance bodies and undertook statistical analysis to assess the effectiveness of the risk regulation systems using the quantitative research method. The findings revealed a statistically significant relationship between the implementation of strict risk mitigation measures and better business performance, suggesting that the application of sound risk management measures can result in better financial outcomes. The study ended with recommendations to the insurance sector to invest in comprehensive risk governance systems to retain their market and to strengthen their ability to mitigate the risk from climate change. One of the advantages recognized was that the study was limited to insurance only and thus can be extended to other sectors of the business.

A Mwangi (2015) study examined the link between risk mitigation measures and financial performance of commercial banking institutions in Kenya. The main components of the study were institutional risk regulation approaches and quantitative financial performance indicators. The study was conducted using a descriptive methodological approach, the information was collected by making use of a structured feedback form that was sent to risk management professionals in banks from various regions. The analysis showed that risk governance systems, which have been put in place by the financial institutions, had led to better financial outcomes, thus underscoring the importance of good financial risk governance in the banking sector. The researcher recommended the adoption of wide-ranging risk management schemes to inform and support effective strategic decision-making. One of the study's most important drawbacks was that data was gathered from the participant's perspective, which can lead to subjective bias, as a methodological limitation in the study design.

Lyambiko (2015) looked at the effect of operational risk mitigation strategies on the financial performance of commercial banks in Tanzania. Two major components of the investigation were operational risk management procedures and financial performance indicators. The researcher followed a case study approach and obtained the qualitative data from a sample of Tanzanian banks for in-depth analysis. The findings showed that in terms of financial outcomes, the presence of strong operational risk oversight processes, especially systematic internal audit and regulatory compliance checks, positively influenced the financial performance. The study suggested that

continuous employee education on the procedures for risk management should be included as a recommendation. The author found an important gap in implementation, as it lacks a gap between developed theoretical risk management models, and their practical application in the banking processes.

Mehralian et al. (2023) explored in detail the dynamic correlation between corporate social responsibility (CSR) programs, risk mitigation techniques and business performance indicators. Three aspects were explored in the research: CSR activities, risk regulation approaches, and organizational success measures. The researchers used both quantitative and qualitative research methods in collecting data using structured questionnaires and in-depth interviews with the participants from various industrial sectors. This analysis identified synergies between the principles of CSR and systematic risk management strategies which can enhance the overall business performance, most importantly by enhancing brand reputation and building stakeholder trust. The study ended with a set of recommendations for companies to adopt an integrated approach to risk governance that creates a systematic framework for the integration of CSR considerations. The authors recognized a conceptual drawback: their suggested CSR-Risk Management integration was an innovative theoretical model which needs further empirical testing in future studies.

Girangwa (2018) has studied the relationship between enterprise risk governance (ERG) strategies and the corporate performance outcomes. This study concentrated on two main areas ERG implementation approaches and key performance indicators. Data were collected in a systematic fashion using a quantitative methodological approach, with the support of a standard questionnaire that was sent to businesses that are active in the practice of ERG. The analysis showed that well-developed ERG protocols are associated with improved organizational outcomes, highlighting the importance of having formalized risk oversight processes. The results indicated that companies should incorporate ERG into their operational processes to more effectively handle the unpredictable challenges. A key constraint identified was the lack of tangible empirical data that directly link specific ERG practice to tangible performance gains, which was a significant gap in existing literature.

All these empirical studies reveal the core significance of systematic risk management strategies for achieving better performance results for various sectors. However, current research gaps, such as the lack of empirical studies, the methodological weaknesses, and the lack of theory, mean that further research is needed to build up the evidence and make it more generally applicable.

Risk Retention Practices and Organization Performance

Ali et al. (2019) conducted a study exploring the association of risk amelioration strategies and project success measures in building industry in Pakistan. They have specifically examined two: approaches to risk exposure, and a range of measures of project success. The researchers used a

descriptive methodological approach to obtain data from various actors in the construction sector, such as on-site personnel, supervisory staff and project teams through standardized questionnaires. The findings showed that effective risk retention arrangements such as reserve allocation systems and pre-planned response contingency plans have helped to better manage projects to reduce schedule variance and over-all cost overruns. The team suggested the formation of structured risk retention frameworks by construction companies to maximize outcomes of projects. One limitation in the study was the reliance on self-reported data, which may have led to the inclusion of subjective biases in the data, thus creating a methodological limitation in the research design.

In Nairobi City County, Kenya, Muthoni (2015) carried out a broad study on the influence of risk absorption strategies on project outcomes. The research was based on four critical elements: Risk assumption measures, Risk mitigation techniques, Risk regulation methods and Project success indicators. The researcher adopted the descriptive methodological approach and gathered data through the structured questionnaires sent to project supervisors from various industries. The investigation showed that the way of risk assumption, especially the allocation of the contingency funds for the potential uncertainties improved the project execution and ensured that resources were available during unforeseen events. The study ended with a suggestion to businesses to include a system for risk absorption in their project planning processes. One of the major constraints mentioned was that there was an empirical knowledge gap; that is, few studies had given concrete evidence of a link between risk assumption practice and better project outcomes.

Hussein and his team (2021) studied the connection between workforce retention strategies and measures of corporate success. Their research focused on two main areas: keeping employees engaged and assessing business performance. The researchers collected data using standardized surveys targeting workers across different sectors. Their analysis indicated that effective employee retention efforts, such as career development programs and competitive pay, were closely linked to improved organizational outcomes. This underscores the importance of retaining talented individuals within a company. The study recommended that businesses invest in employee retention programs to stay competitive. The authors also highlighted a gap in current research, noting insufficient evidence on which specific retention methods most effectively boost performance.

Mehralian and his colleagues (2023) investigated the link between corporate social responsibility (CSR) programs, risk management practices, and business performance. They examined three main areas: CSR activities, methods for managing risk, and organizational success measures. The researchers used both qualitative and quantitative methods, gathering information through structured questionnaires and in-depth interviews with participants from various business sectors. Their analysis revealed that merging CSR principles with strategic risk management practices creates a positive effect that enhances overall business results, mainly by improving brand image and building trust among stakeholders. The study suggested that companies create strategies that

incorporate CSR into their risk management processes. They acknowledged a limitation in the lack of theoretical development, as integrating CSR and risk management is a relatively new idea needing further exploration.

Kiragu's 2015 study used a descriptive approach to analyze risk management strategies in government-owned enterprises in Kenya. The findings revealed a strong connection between how organizations manage risk and better performance outcomes. Based on this, the researcher recommended that public companies establish formal risk management policies and allocate sufficient resources to these efforts. However, the study focused solely on public sector institutions, leaving a gap in understanding the effectiveness of risk management strategies in private companies, especially in the banking sector.

Hanggraeni, Ślusarczyk, Sulung, and Subroto (2019) explored the relationship between risk management strategies and project outcomes in Nairobi City County, Kenya, using a descriptive survey method. Their findings suggested that risk mitigation measures play a significant role in project success and are widely used by organizations undertaking projects in the area. While important, this study addressed project-level applications rather than corporate-level risk management practices across various industries, particularly banking. This limitation provides an opportunity for the current study to broaden the understanding of organizational risk management practices in different business contexts.

De Araújo Lima, Crema, and Verbano (2020) examined how business model innovation affects the link between risk management strategies and corporate performance. Their mixed-methods research showed that strategic risk management practices positively impact organizational results, with innovative business models being a significant factor. The researchers recommended that companies implement innovative risk management solutions to improve performance metrics. Although insightful, the study did not directly focus on specific risk management techniques, leaving a research gap that the current study aims to address by examining these practices within financial institutions.

El Baz and Ruel (2021) looked into the connection between corporate risk management strategies and business performance, proposing a theoretical framework to assess how entrepreneurial orientation affects this relationship. Their findings indicated only a slight link between risk management practices and performance outcomes. However, the study showed that entrepreneurial mindset factors, particularly innovation capabilities and proactive product development strategies, fully mediate this relationship. This provides valuable insights into how organizational risk management interacts with entrepreneurial traits in business settings.

Elamer, Ntim, and Abdou (2020) conducted research on the ties between risk management strategies, strategic planning, and corporate performance. While previous studies have explored

how strategic methods impact outcomes, their work highlighted a growing agreement that structured risk management frameworks meaningfully contribute to achieving corporate goals. The study found a lack of empirical research on how strategic planning interacts with risk management systems. The researchers suggested that future studies examine how to incorporate risk management into strategic decision-making processes to improve performance metrics. This identified need for research highlights a lack of understanding regarding how specific risk retention strategies influence performance outcomes in financial institutions.

Together, these studies demonstrate the crucial role that risk management strategies play in enhancing performance across different industries. However, existing literature shows a gap in focused research on how these practices specifically affect banking institutions. This current study aims to address that gap by providing detailed insights into how risk retention methods impact performance in the financial sector. By doing this, the research will contribute to developing tailored risk management frameworks designed for banking operations, enriching both academic knowledge and practical applications in the field.

Summary of Literature Review

The literature review on strategic risk management practices and performance in the banking industry provides insights into key strategies used by financial institutions. It is organized around four main practices: risk transfer, risk prevention, risk control, and risk retention. These practices are essential for improving financial stability, operational efficiency, and overall performance in the banking sector.

The literature stresses the importance of risk transfer methods, such as insurance and hedging, for reducing potential financial losses. Studies show that banks using effective risk transfer strategies enjoy better financial resilience, increased investor confidence, and compliance with regulations. However, some researchers caution that overly relying on third-party risk transfer can lead to moral hazard and weakened internal risk management capabilities.

Risk prevention involves proactive measures to reduce the chances of risks occurring. The literature highlights the role of internal controls, compliance measures, and investments in technology for lowering financial and operational risks. Several studies indicate that banks with strong risk prevention practices report fewer cases of fraud, cyber threats, and credit defaults. Nevertheless, challenges like regulatory complexities and costs can impede the effective implementation of preventive strategies.

Risk control strategies focus on identifying, assessing, and addressing potential threats to banking operations. The literature emphasizes the importance of enterprise risk management (ERM) systems, stress testing, and governance frameworks for maintaining financial stability. Evidence suggests that institutions with solid risk control measures support better decision-making,

regulatory compliance, and market competitiveness. However, the effectiveness of these strategies often relies on the organization's culture and leadership commitment.

Risk retention means intentionally choosing to accept certain risks as part of a bank's operations. Studies indicate that banks decide to retain risks when the cost of transferring or mitigating them is higher than the potential losses. This is common in liquidity management and credit risk strategies, where banks use capital buffers to absorb financial shocks. While risk retention can enhance financial stability, holding onto too much risk without proper planning might lead to significant financial difficulties.

Despite extensive research on strategic risk management, gaps remain in understanding how these practices integrate with overall banking performance. Most studies examine individual risk management strategies rather than a comprehensive framework. Additionally, there is limited empirical evidence on the direct impact of risk retention on performance. Future research should explore how different risk management strategies interact and their overall effects on financial stability. Strategic risk management is vital for banking performance, impacting financial health, regulatory compliance, and market confidence. While existing literature provides valuable insights, it also points to areas needing further inquiry, particularly regarding integrated risk management frameworks in the banking industry.

Table 2.1: Summary Literature Review and Research Gaps

Author(s)	Title of the Study	Research Findings	Focus of the current study
Girango, G. (2019)	Enterprise Risk Management Practices and Organizational Performance	Significant positive correlation between risk transfer practice transferred risks reported better financial outcomes and ope	Focused on strategic risk management practices and the performance of the Kenya Commercial Banks in Nairobi County Kenya
Mustapha et al. (2023)	Risk Management Practices and Organizational Performance	Risk transfer practices positively impacted organizational p	Focused on strategic risk management practices and the performance of the Kenya Commercial Banks in Nairobi County Kenya
Macharia & Kiiri (2018)	Effect of Risk Transfer Techniques on Construction Project Performance	Effective risk transfer techniques led to improved performa budgets.	Focused on strategic risk management practices and the performance of the Kenya Commercial Banks in Nairobi County Kenya
Azreen (2011)	Mediating Effect of Enterprise Risk Management Practices on Risk Culture and Organizational Performance	A strong risk culture positively influenced the adoption of r	Focused on strategic risk management practices and the performance of the Kenya Commercial Banks in Nairobi County Kenya
Macharia & Kiiri (2018)	Risk Management Practices and Financial Performance of Commercial Banks in Kenya	Adoption of risk transfer practices, such as insurance and h	Focused on strategic risk management practices and the performance of the Kenya Commercial Banks in Nairobi County Kenya
Smith & Lewis (2020)	Impact of Risk Prevention Mechanisms on Financial Performance in Multinational Corporations	Organizations implementing proactive risk prevention strat	Focused on strategic risk management practices and the performance of the Kenya Commercial Banks in Nairobi County Kenya

Jones et al. (2019)	Role of Internal Risk Prevention Controls on Operational Efficiency in Banking Industry	Banks with robust internal control systems had lower incide	Focused on strategic risk management practices and the performance of the Kenya Commercial Banks in Nairobi County Kenya
Kumar (2018)	Regulatory Compliance as a Risk Prevention Strategy and Firm Performance	Firms adhering to stringent regulatory requirements had hig costs.	Focused on strategic risk management practices and the performance of the Kenya Commercial Banks in Nairobi County Kenya
Brown & Williams (2021)	Effectiveness of Employee Training Programs as a Risk Prevention Measure	Hospitals with mandatory risk management training experie	Focused on strategic risk management practices and the performance of the Kenya Commercial Banks in Nairobi County Kenya
Patel (2020)	Influence of Cybersecurity Risk Prevention Measures on Organizational Performance in Fintech Industry	Firms with stringent cybersecurity policies experienced hig	Focused on strategic risk management practices and the performance of the Kenya Commercial Banks in Nairobi County Kenya

Conceptual Framework

The relationship between risk management practices and organizational performance is crucial to organizational stability, efficiency and sustainability. The conceptual framework identifies four main independent variables, namely: risk transfer practices, risk prevention practices, risk control practices and risk retention practices. These factors, taken together, influence the dependent variable, organizational performance. The section discusses the interrelationship of these variables and their effect on the financial health, expense management, profitability and non-performing loans of an organization, especially in the banking sector.

Risk transfer practices are the process of shifting financial risks from the organization to a third party, usually thru insurance or contracts. The efficiency of risk transfer agreements. The cost-effectiveness of risk transfer strategies. The percentage of risk covered by insurance. An effective risk transfer mechanism allows organizations to manage financial shocks, reduce liabilities and improve expense management by ensuring that potential losses are covered by insurers or counterparties. The transfer of risk, when done right, reduces the exposure to unexpected financial risks, improves profitability and reduces non-performing loans. In contrast, if risk transfer is too costly or inefficient, it may cause financial pressures and affect performance negatively.

Risk prevention is the proactive act of lowering the probability of risks occurring. This means investing in risk prevention, training employes on risk awareness and monitoring reported risk incidents. Risk-averse organizations can better prevent financial losses and operational disruptions. For example, training programs create awareness about potential risks which results in better decision-making and regulation adherence. By investing in modern risk detection technologies and preventive actions, organizations can reduce fraud, cyber risks, and compliance issues that directly impact expense management and reduce operational costs. Less risk incidents lead to better financial stability and profitability for organizations.

Risk control practices are focused on the building and application of internal systems that enable an organization to respond effectively to the risks it has identified. This includes the effectiveness of internal risk controls, the implementation of risk management frameworks and the timeliness of risk response actions. Effective internal controls ensure compliance with rules and regulations, and protect financial assets, thus minimizing the risk of financial mismanagement and fraud. Timely adoption of risk management frameworks enables the standardization of risk management processes making the mitigation more organized and predictable. Moreover, how quickly an organization responds to risk influences its resilience and capacity to bounce back from financial setbacks. Robust risk controls practices help profitability, enforce expense discipline and reduce non-performing loans by ensuring that financial risks are identified and managed quickly.

Risk retention practices are when an organization decides to keep certain risks on its own books rather than passing them off to outside parties. This should be a balanced approach between the

overall risk exposure and the risks the organization wants to retain. The organization's performance is influenced by factors such as the capital set aside to address retained risks and the financial consequences of those risks. Holding on to risk can help organizations avoid the expense of insurance premiums, but requires sufficient capital reserves to absorb unexpected financial losses. If you manage it well, the risk you retain can help you plan your finances and lower your operating costs. But if an organization takes on too much risk without strong financial buffers, it could face liquidity problems, higher operating costs, and even financial distress. The successful handling of retained risks is essential to profitability and to avoiding non-performing loans.

The integration of risk transfer, risk prevention, risk control and risk retention practices is critical in shaping the organizational performance. The successful execution of these risk management strategies ensures financial stability, better cost control, higher profitability and lower non-performing loans. However, reaching optimal performance needs a strategic balance among these practices to mitigate risks while keeping financial efficiency. Organizations, especially in the banking sector, must regularly assess and adjust their risk management frameworks to address new financial risks and foster long-term growth.

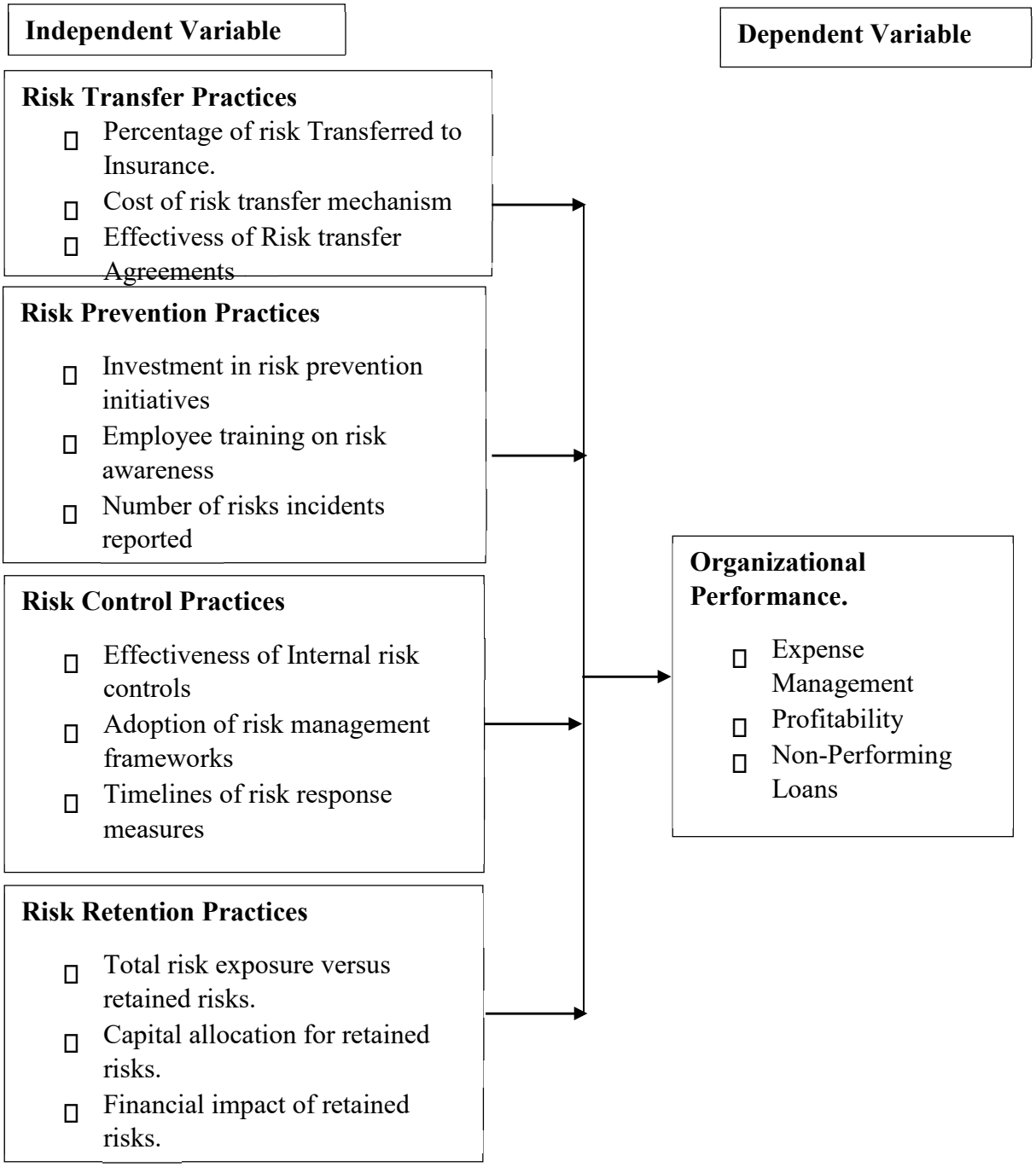


Figure 2.1: Conceptual Framework

RESEARCH METHODOLOGY

Introduction

In this section, the research approach used for this study is described. It discusses the selected research design and why it is suitable for the research goals. 2. It defines the study population and the sampling strategy used to obtain a representative sample. It also describes the methods and tools used for data collection, stressing the appropriateness of those for the research. The discussion also includes validity and reliability, and examines the efforts made to improve the accuracy and reliability of the results. The methods of analysis and interpretation of the collected data are also described. Finally, this section discusses the ethical guidelines followed to ensure research integrity and compliance with ethical standards.

Research Design

A research design acts as a structured plan for collecting, analyzing, and interpreting data (Guest, 2010). This study used a descriptive explanatory design to assess the impact of strategic risk management practices on the performance of the banking sector, specifically focusing on Kenya Commercial Bank in Nairobi City County. The descriptive approach was chosen for this study because it enables data collection from a large population while allowing for an in-depth exploration of the relationship between strategic risk management practices and bank performance in its real-world context without external manipulation.

Target Population

The target population refers to the complete set of individuals or entities the researchers aim to study to generalize their findings (Creswell & Creswell, 2018). Records show that Kenya Commercial Bank (KCB) has over 40 branches in Nairobi City County (KCB, 2023). For this research, the intended audience, as shown in Table 3.1, includes key staff members from each branch: Branch Managers, Risk Management Officers, Credit Managers, Operations Managers, and Compliance Officers. The total population comprises 200 participants (calculated as 5 key personnel multiplied by 40 branches). These respondents occupy five important roles: Branch Managers, Risk Management Officers, Credit Managers, Operations Managers, and Compliance Officers. They were selected for their extensive knowledge and experience in risk management, as they were directly involved in developing and implementing risk-related policies in their branches.

Their involvement is important as they are responsible for the implementation of the risk strategies such as risk transfer, risk prevention, risk control and risk retention and ensuring that these measures are effectively part of the bank's operation. Also, such individuals have a considerable say in decision-making and can influence strategic risk policies that directly relate to the bank's financial health and operational efficiency. They are responsible for identifying potential risks,

developing mitigation plans, and verifying compliance with regulatory standards, thereby playing a critical role in the bank's risk management framework.

The selected participants also cover all the important risk areas: financial, operational and strategic. Combined, their expertise gives a complete picture of how the bank approaches risk management. This wide representation ensures that all the key risk aspects such as financial exposure, credit assessment procedures, operational compliance and high-level strategic planning are studied thoroughly. Moreover, the information obtained from these professionals is reliable and relevant due to their direct experience with risk policies, implementation challenges, and outcomes. Their active participation in the daily risk management operations and their in-depth understanding of the institutional risk procedures make them the best source of accurate and reliable information, which enhances the validity and thoroughness of the research findings.

Table 3.1: Target Population

Category	Number of Branches	Target Population	(%)
Branch Managers	40	40	20
Operations Managers	40	40	20
Credit Managers	40	40	20
Risk Managers	40	40	20
Finance Officers	40	40	20
Total	**40**	**200**	**100**

Source: (KCB, HR Department, 2025)

Sample Size and Sampling Technique

To ensure accuracy due to the relatively sized target population, a census sampling method was used to determine the proper sample size for this study. The selected sample size was considered to be very comprehensive and to enhance the reliability of the collected data significantly. This is because these individuals have a direct experience with the policies related to risk and their implementation results. The combined experience of these professionals helps to provide a comprehensive assessment of Kenya Commercial Bank's strategic risk management approaches.

Sampling methods can be divided into two main categories. The initial type is probability sampling. In this approach, each person in the target population has an equal chance of being selected. Researchers are able to calculate mathematically the probability that any element will be included. The second approach is non-probability sampling techniques where the investigator's subjective discretion is used to select participants so that the probabilities of selection cannot be determined statistically. Sample size is a difficult balance to strike for researchers, as the sample needs to be large enough to allow for accurate measurement of variable relations, but not so large that it becomes impractical and inefficient to collect data (Fraley & Hudson, 2013).

The study utilized a purposive sampling as the selection methodology because the target population of the study is the key personnel involved in strategic risk management in the various branches of the Kenya Commercial Bank (KCB) in Nairobi City County. This technique is a conscious selection of participants according to their uniqueness, professional qualifications, and instant value for the research goals achievement (Creswell & Creswell, 2018). The sampling process incorporated branch managers, risk management specialists, credit administrators, operations supervisors, and compliance officials, selected in appropriate proportions from different KCB locations throughout Nairobi City County. Unlike randomized sampling methods, this targeted approach guarantees that only those individuals or teams with particularly valuable knowledge and experience related to the research subject are included in the research sample.

Table 3.2: Sample Size

Category	Number of Branches	Number of Individuals per Branch	Sample Size
Branch Managers	40	1	40
Operations Managers	40	1	40
Credit Managers	40	1	40
Risk Managers	40	1	40
Finance Officers	40	1	40
Total (Sample Size)	**40**	**5**	**200**

Source (Author, 2025)

Data Collection Instrument

The main instrument used to collect data from the study participants was a structured questionnaire. Questionnaires are a research tool or instrument that is used to collect data systematically from a large number of respondents by translating the objectives of the study into specific questions that are well organized to facilitate data processing and interpretation (Mugenda & Mugenda, 2008). In this study, the questionnaires method of data collection has been preferred due to its convenience in collecting relevant information from the specialized professionals involved in strategic risk management activities at various Kenya Commercial Bank (KCB) branches in Nairobi City County.

The research instrument consisted of various sections of the subject. The first section (section A) contained personal details regarding the respondents and the second section (section B) dealt with variables of the study directly. This section was systematically divided into various sub-sections each dealing with a variable under the study. The questionnaire was designed by using closed-ended questions formats. In this way the investigator got different aspects of the subject. A five-point Likert scale measurement system was used in the questionnaire in which; 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree and 5=Strongly Agree. Respondents responded to the assertions of the strategic risk mitigation strategies such as risk transfer, prevention, control,

retention and their impact on organizational performance of Kenya Commercial Bank. This kind of research instrument gave quantitative data that could be statistically analyzed at large.

Validity and Reliability

The following is a brief overview to assist with the understanding of validiy and reliability in relation to research instrument measurements. Where, validity refers to whether a measurement instrument accurately measures what it is intended to measure - (e.g. Content, criterion validity, criterion, predicts what the instrument measures best use to increase the meaning of results). Reliability - this refers to whether the measurement instrument produce the results consistently in repeated administrations across a population. There are some of the methods to test reliability eg. Alpha coefficient of internal consistency, reliability test to be tested by using test-retest to the whole population. It is important validity, it needs reliability. But reliability doesn't necessarily mean need validity. There are some methods to enhance validity of researcher eg. Test the measurement by using different technique (e.g. Multi methods) etc.

Validity

The content validity was achieved to make sure that the questionnaire was error-free both in terms of typological and intelligibility. Confirmatory Factor Analysis (CFA) was also used to determine construct validity. The content validity was determined to ensure that there were no typographical mistakes in the questionnaire on top of clarity. Confirmatory Factor Analysis (CFA) was also done to establish construct validity. To test the content validity, the questionnaire was not subjected to typing mistakes, and ambiguity with very complex words. This was through counter checking the questionnaire and peer review.

A further Confirmatory Factor Analysis was done to ascertain Construct validity of the data. In that sense, communalities were employed in computing the loadings of each of the constructs to the aggregate variable. Factor loadings more than 0.4 were considered as valid constructs based on a suggestion by Field (2009). The findings showed that the constructs were valid because all the factor loadings exceeded the suggested value of 0.4.

Reliability

The pilot study was to be conducted on a sample of 4 banks, which is about 10 percent of the main study sample size. Respondents were selected from employees from Tier Three commercial banks in Nairobi County, which did form the sample for the respondents in the main study. They were selected purposely because the same job positions, those in key, distinct positions, were also considered in the main survey. The questionnaire was administered using the drop and pick method and it took 6 days in which the questionnaires were dropped and picked on the sixth day. The researcher was asked to clarify anything because he provided his contact information. The data was entered into SPSS V 30 and later utilized to determine the Cronbach Alpha coefficients. These have been contrasted with the threshold of 0.7 that is suggested by Silverman (2016). The results are displayed below.

Table 3.3 Reliability

Variable	No. of Items	Alpha Score	Comment
Strategic risk Transfer Practices	5	0.8842	Reliable
Strategic risk prevention practices	5	0.8300	Reliable
Strategic risk control practices	5	0.8520	Reliable
Strategic risk retention practices	5	0.8800	Reliable
Overall	**25**	**0.8600**	Reliable

Source (Pilot Test Data, 2025)

The alpha coefficients of the variables that were tested to test the internal consistency of the survey as illustrated in the table 3.1 above, have a value that is above the set benchmark of 0.70 in this study. Based on the pilot study, Strategic risk Transfer Practices had an alpha of 0.8842, Strategic risk prevention Practices had 0.8300, strategic risk control had 0.8520, and strategic risk retention had 0.880. These coefficients suggest the various components of the study's instrument were perceived as reliable and regarded as indicators of the variables of interest. The outcomes of the reliability assessment were consistent with Field's (2009) criteria for effective research instrument dependability.

The findings indicated that the tool was reliable because all the variables registered a general Cronbach Alpha of more than 0.7. The constructs were also valid as all the factor loadings were above the suggested 0.4 threshold. The questionnaire was thus not revised and was used as it is in the main survey.

The alpha scores of strategic risk retention ractices (0.880) and strategic risk transfer practices (0.8842) are exceptionally high, which means that the items in the constructs are highly coherent and are measuring their respective latent variables with high level of accuracy. Such a high level of reliability (> 0.8) is usually considered as excellence in social science research (Gliem & Gliem, 2003) and gives a great confidence in the information which such items will bring to the primary research.

All constructs of risk prevention practices (= 0.8300) and risk transfer practices are in the range of good to very good reliability. These findings indicate that the items are well constructed, understood by respondents and overall, they evoke one concept. The high reliability in all the constructs reduces the fears of measurement error and enhances the validity of the findings that follow.

Moreover, the overall reliability (25-item scale) (= 0.8600) is remarkably high, which is disclosed through the outcomes. It states that the individual constructs are not only internally consistent, but the instrument itself works. This is in line with the theoretical model that suggests that the capabilities are interconnected elements in the strategic capability.

As it has been hinted, the findings are in line with the methodological stance of Field (2009) and establish that the instrument is statistically valid. Since all the factor loadings based on the pilot analysis were also above the recommended threshold of 0.4, which proves the construct validity, there is no reason to revise the questionnaire. The instrument was then incorporated in its present use in the main survey.

Data Collection Procedure

Prior to data gathering process, the investigator obtained an official permission letter from Kenyatta University. This authorization document was then used to secure a research permit from the NACOSTI. Furthermore, formal consent was requested from Kenya Commercial Bank's (KCB) administrative officials within Nairobi City County to guarantee unimpeded access to the intended study participants.

The research employed self-completed questionnaires as the primary data collection method. The principal researcher, supported by qualified field assistants, personally distributed these survey instruments. Prior to questionnaire completion, each participant received detailed verbal explanations about the survey process, with all responses being collected anonymously to promote truthful and objective answers. All subjects were fully briefed about the study's objectives and given confidentiality assurances to increase their motivation for providing precise data. To maintain high participation levels and ensure data quality, all filled questionnaires were retrieved promptly after respondents complete them**.**

Data Analysis and Presentation

Wilson (2013) conceptualizes data analysis to include the process of organizing, describing and exhibiting the outcomes of a research project in a manner understood by non-experts. According to Kothari (2010) this analytical process includes identification of consistent issues, relationship and trend directions that can be extracted from the compiled data in order to arrive at meaningful conclusion. In this study the main objective of data analysis was to systematically arrange the collected information so as to produce an unequivocal explanation to the research questions.
The research generated quantitative data in this form. After the information was collected thorough checks were conducted in order to ensure that information was accurate and consistent with responses. Figures, data was then systematized and input into SPSS package for analysis. SPSS has capability to report descriptive and inferential statistical analysis.

Descriptive statistics had results on frequency distributions (both actual numbers and percentages) and measure of central tendency (arithmetic mean), variation (standard deviation) were applicable. The inferential analytical tools used in this research were correlation and linear regression at bivariate level to find if there was relationship between institution risk management approach and operational performance measures in KCB branches in Nairobi City County. The regression equation used in this analysis was as below:

$$Y=\beta_0+\beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4+\epsilon$$

Whereby:

Y = Performance of Kenya Commercial Bank
X_1 = Strategic Risk Transfer Practices
X_2 = Strategic Risk Prevention Practices
X_3 = Strategic Risk Control Practices
X_4 = Strategic Risk Retention Practices
β_0 = Constant
β_1 - β_4 = Regression Coefficients
ε = Error Term

This analytical approach ensured that the study effectively evaluated the impact of strategic risk management practices on the performance of Kenya Commercial Bank in Nairobi City County**.**

Ethical Consideration

Given the sensitive nature of some data that were supposed to be collected in this study the researcher had a moral and social obligation to handle data in a responsible and transparent manner. Given that some of the responses concerning some strategy towards risk mitigation methods and performance in a financial institution were expected to be withheld from researchers, the study sought to provide an environment that ensured some degree of privacy to such respondents so that honest responses may be realized. The questionnaires used were in strict confidentiality and did not contain respondents' name, position and other demographic information that could trace their identity. Informed consent was signed by all respondents after they were briefed about the research's aims, optional attendance at all levels and the' freedom' to withdraw from the research at will without the burden or disadvantages of it. All the obtained data' had only be used for academic work only and was to be transmitted to unauthorized individuals on all levels'. Approval and clearance on ethical grounds was also granted by the NACOSTI, KCB administrative and policy sections before proceeding with the research.

RESEARCH FINDINGS AND DISCUSSIONS

Introduction

The chapter analyzes and interprets the data gathered in the research on the strategic risk management practices and performance of the Kenya Commercial Bank in Nairobi City County, Kenya. This will look at the determination of the risk transfer, risk prevention, risk control and risk retention, and their impact on the performance of Kenya commercial bank. The analysis goes from an overview of the response rate and narrows down to the respondent’s profile, before explaining the critical aspects of the research variables. As such, the chapter presents a systematically concluded research methodology to the analysis, conclusions and recommendations.

Response Rate

The research focused on 200 of the top staff members of the Kenya Commercial Bank branches within the Nairobi City County, such as Branch Managers, Risk Management Officers, Credit Managers, Operations Managers, and Compliance Officers. The researcher made follow-ups to know the questionnaires were received and the findings obtained can be seen in Table 4.1 below:

Table 4.1 Response Rate

	Frequency	**Percentages**
Response	176	88
Non-response	24	12
TOTAL	**200**	**100**

Source: Research Data (2026)

4.1 above demonstrates that 176 questionnaires that were properly completed were received, hence achieving a successful response rate of 88.0%. This is an excellent rate because it is more than the limit proposed by different methodological gurus, Mugenda Mugenda, (2019) argue that a rate of over 70 percent is enough to gather information that can be used to represent the perceptions of the target population. Thus, the 88 percent response rate that was attained in this study is considered to be strong and sufficient to the study.

Demographic Characteristics of the Respondents

This section shows the demographic information about the participants of the research, which provides an understandable idea of the background of the research in terms of experience and career. Age, sex, duration service, education, and hierarchy position are among some of the significant points that were considered. The responses to the demographic information would mean that the research would recognize the differences in perceptions that are likely to emerge depending on the profile of the respondents. To illustrate, the disparities in work experience, academic qualification, or place in the hierarchy can mediate the perceptions of a person about the practices of strategic risk management and its impact on the performance of a bank.

Distribution by Age

To establish the age distribution of the respondents, they were requested to indicate their age group during data collection. Table 4.2 presented the age demographics of the respondents and indicated the respondent's distribution by age. The age structure and generational composition of the Kenyan banking sector can be informed using the age data, which, in turn, can be used to comprehend the possible age-related variations in perceptions of risk management approaches.

Table 4. 2: Distribution by Age

Age	Frequency	Percentages
25-30 Yrs	32	18.2
31-40 Yrs	78	44.3
41-50 Yrs	48	27.3
Above 50 Yrs	18	10.2
TOTAL	**176**	**100**

Source: Research Data (2026)

The analysis of the age of the respondents indicates that the majority of the respondents (44.3 percent) fall in the age group of 31-40 years, then there are respondents who are 41-50 years (27.3 percent). The young professionals between 25-30 years of age form 18.2 percent and the oldest group (Above 50 years) forms the smallest at 10.2 percent. This is typical of a workforce that is professional and experience based such as the banking industry whereby professionals in the middle of their career are likely to be in the heart of risk management and operational activities within the organization.

The prevalence of the mid-career professionals (31-40 years) echoes the claims of Zhou and Benton (2022), whose study emphasized the applicability of the mid-career executives in operational strategy implementation and organizational risk management. This is the age group that probably has the optimal mix of energy, experience, and willingness to use new risk management technologies and methodologies which are essential in the dynamic risk environment of the modern banking industry.

Distribution by Gender

The study aimed at determining the gender of the study participants in the demographic analysis. In the process of collecting data, respondents were required to indicate their gender. This gender based classification offers insightful information on the profile of the respondents and indicates the gender diversity in the risk management and operational functions of KCB. These results are presented in a tabular form as indicated in Table 4.3.

Table 4. 3: Distribution by Gender

Gender	Frequency	Percentages
Male	96	54.2
Female	80	45.5
TOTAL	**176**	**100**

Source: Research Data (2026)

Considering the outcomes of the survey, the percentage of males in the survey is 54.5, whereas female respondents are 45.5. That is quite an acceptable balance as you consider it, particularly to an outlet as Kenya Commercial Bank. It reveals that they are moving forward regarding gender diversity and inclusion in their strategic and operational positions.

It is not a one-off result either. Then there are those who mention that the presence of diverse leadership teams that bring gender diversity on board actually improves problem-solving and organizational recovery after a challenge, such as Weritz et al., (2024). The percentage of the female respondents in this study is an encouraging factor to the industry at large. Even it may be connected with a more inclusive approach to risk management, which the Kenya Bankers Association (2023) has also discussed in their discussions about the transformation of the sector.

Distribution by Length of Service

This section presents the details of the lives of people working in Kenya commercial bank with the basis to understand how the experience in the job influences their perception of strategic risk management and the effects it has on the performance of the bank. Experience is not just a figure; it is real. It is indicative of the experience they have acquired over the years, the level of their familiarity with the inner workings of the operation, and how they have adjusted to the changes in risk management practices as they have changed.

Table 4. 4: Distribution by Length of Service

Length of Service	Frequency	Percentages
0-1 Years	18	10.2
1-2 Years	26	14.8
2-3 Years	32	18.2
3-4 Years	44	25
Above 4 Years	56	31.8
TOTAL	**176**	**100**

Source: Research Data (2026)

Table 4.4 demonstrates that 18 respondents have been employed for between (0-1 years), 26 of the respondents had been employed between (1-2years), while 44 of them had ben employed between (3-4years). This informs that the information obtained is the viewpoint of individuals who are well versed in the inner and outer workings of the bank culture, processes and how they manage risk. This type of experience is very vital. It is consistent with what we refer to as the Resource-Based View, which simply states that the knowledge and skills one has accumulated throughout his or her life are like gold and are precious, difficult to locate, and difficult to duplicate. That is why, having so many long-term employees included in this research, it is obvious that these bank employees possess a rich source of institutional knowledge. That is important in terms of understanding and applying the strategic risk management methods we are considering.

Distribution by Level Education

In this section, the educational levels of the responders are reviewed in an effort to determine the appropriateness of academic qualifications to strategic risk management positions of Kenya Commercial Bank. Education is a determinant factor to the effectiveness of risk management practices, and it determines the capacity of professionals to adopt the latest practices in identifying risks, assessing them, and mitigating them.

Table 4. 5: Educational Level

Education Level	Frequency	Percentages
Certificate	12	6.8
Diploma	42	23.9
Degree	88	50
Masters	34	19.3
TOTAL	**176**	**100**

Source: Research Data (2026)

Analysis of the education breakdown indicates that a good percentage of the respondents, approximately 50 percent, have degrees. Following them, there are Diploma holders with 23.9 and finally, there are Master degree holders with 19.3. The holders of certificates are a lower group, as they represent only 6.8 percent. The study therefore reveals that at least in terms of roles in the banking sector particularly in risk management and strategic positions the formal education to business or finance is becoming a status quo.

This is a trend that indeed supports what Human Capital Theory proposes. In essence, it is important to invest in education and skill-building to remain competitive as an organization. The fact that these respondents have received high formal education provides them with a good base to address complicated strategic risk management tasks. Also, it coincides with the results of Mwangi (2022), who indicated that the education level of bank employees is directly related to their ability to recognise, evaluate, and handle risks efficiently.

Distribution by Level within Organization

This part entails the analysis of the position of the respondents in the organizational hierarchy to make sure that the study has captured the perspectives of different management levels which are involved in risk management activities. Organizational level is a significant demographic factor because it defines the extent of risk management duties and the character of the participation in the working of the strategic decisions.

Table 4. 6: Distribution by Level within Organization

Organization Level	Frequency	Percentages
Top Level Employee	38	21.6
Middle Level Employee	96	54.5
Low Level Employee	28	15.9
Others(Auxilliary staff)	14	8
TOTAL	**176**	**100**

Source: Research Data (2026)

Table 4.6 shows that the results indicated that middlelevel employees constituted the largest proportion of the respondents at 54.5 percent. Next is 21.6 with top-level employees and 15.9 with

low level folks. There is also this "Others (Auxilliary staff) category, and this group makes about 8.0 percent including the specialized risk management personnel who have cross-functional roles.

This composition of respondents is rather accurate in the context of the research devoted to the strategic risk management practices. The middle level managers are often the ones who are on the ground and implement those policies on risk management in their daily life. In the meantime, the top-level staff are steering the ship and keeping a watch on the big picture. Through the insights obtained at various levels of the organization we are able to have a balanced understanding of the development, sharing and implementation of strategic risk management practices throughout the structure of the bank. This method actually makes the findings very elaborate, as Sekaran and Bougie (2013) recommend in their study advice.

Descriptive Analysis of the Study Variables

In this part, attention is paid to a closer examination of some of the essential aspects: Risk Transfer Practices, Risk Prevention Practices, Risk Control Practices, Risk Retention Practices, and their role in the connection with the Organizational Performance. It provided a closer look at what the staff of Kenya commercial bank branches in the Nairobi city county believe in these approaches to risk management. Checking out the mean scores, one can therefore determine how effectively these practices are perceived to be functioning and how the same is affecting the performance of the bank in general. This evaluation provides us with a good picture of the current position of KCB in regards to its strategic risk management practices and preconditions further examination of the connection between these aspects.

Risk Transfer Practices

The main goal of this study was to figure out how strategic risk transfer practices impact the performance of Kenya Commercial Banks in Nairobi County. The concept in this regard is quite simple; when a bank is able to transfer the possible financial losses to an external party such as through insurance, hedging, outsourcing or any other agreements it can indeed reduce its own risk and increase its financial stability. To have a better understanding of this, the study examined several variables, including the extent of insurance policy utilization by banks, the use of hedging policies, outsourcing of key processes, credit derivatives, reinsurance companies, and reliance on contracts in transferring risk.

The responders were requested to respond to a five-point Likert scale with statements about these risk transfer practices (with 1 representing Not at all while 5 representing very large extent). The findings, as depicted in the table below, illuminate how the people who participated in the survey perceive their bank in terms of risk management.

Table 4. 7: Risk Transfer Practices

Statement	Means	STD. Deviation
To what extent does Kenya Commercial Bank (KCB) use insurance policies to transfer financial risks (e.g., fraud, cyber threats, property damage)?	4.12	0.034
To what extent does KCB engage in hedging strategies (e.g., forward contracts, futures, options) to mitigate foreign exchange and interest rate risks?	3.45	0.028
To what extent does KCB outsource critical operations (e.g., IT security, payment processing) to third-party vendors to manage operational risks?	4.08	0.042
To what extent does KCB use credit derivatives (e.g., credit default swaps) to transfer credit risks associated with loan portfolios?	2.87	0.056
To what extent does KCB collaborate with reinsurance companies to transfer high-risk exposures (e.g., catastrophic risks)?	3.98	0.031
To what extent does KCB rely on contractual agreements (e.g., indemnity clauses, guarantees) to shift legal and compliance risks to other parties?	4.21	0.022

Source: Research Data (2026)

The findings suggested that the surveyed people have a positive perception towards the risk transfer practices, even though some differences are clearly noticeable based on the method employed. The standard deviations are consistently low implying that there is a strong consensus among the different bank branches and types of respondents regarding such things.

The respondents truly appeared to be in agreement with the significance of implementing contractual agreements to control any legal and compliance risks with a mean of 4.21 and very narrow standard deviation of 0.022. This is an indication that kenya commercial bank has been heavily dependent on indemnity provisions, guarantees and other agreements to protect itself against legal and regulatory problems. It demonstrates that they have a rather advanced way of managing legal risks. Interestingly, this supports the research of Girangwa (2019), who emphasized that the companies, which are able to redistribute risk, are more likely to prosper in their finances and operate more efficiently.

Next is the application of insurance policies to manage financial risks such as fraud, cyber threats and property damage which had an average score of 4.12 (SD=0.034). The reason why this score is high is that KCB maintains extensive insurance cover as one of its fundamental risk management tools, which assists it to cushion its assets and operations against financial blows. This is connected

to the study of Macharia and Kiiri (2018) who demonstrated that when the risk reallocation techniques, such as insurance, are properly implemented, the results in organizations can be better.

The consensus on outsourcing essential functions such as IT security and payment processing to third-party providers was also huge with a score of 4.08 (SD=0.042). This implies that KCB is intelligently transferring operational risks to external providers specializing in such functions and understanding how to handle them more effectively than they could internally. Besides, cooperation with reinsurance companies in high-risk exposures revealed score of 3.98 (SD=0.031), which indicates that they are taking their risk transfer strategies beyond standard insurance into reinsurance of catastrophic risk exposures.

Conversely, the participation in hedging plans with respect to foreign exchange and interest risk was rated more averagely at 3.45 (SD=.028). Although it remains a good score, it is an indicator that KCB is not relying on financial derivatives and hedging instruments as much or in a more sophisticated manner as other risk transfer mechanisms could be because these instruments can be quite complicated or expensive.

The least score was through the use of credit derivatives such as credit default swaps to deal with the credit risks related to loan portfolios with an average of only 2.87 (SD=0.056). This indicates that Kenya commercial bank does not count heavily on credit derivatives as a means of risk transfer which may be because the market in Kenya has not yet developed credit derivatives or it simply prefers the more traditional risk transfer mechanisms such as collateralisation and loan monitoring.

These findings are consistent with the observations by Mustapha, (2023) on how various methods of risk redistribution can have a positive effect on the success of an organization but have different effectiveness depending on the transfer mechanism. The strategic value of risk transfer is a familiar concept in banking circles; the Basel Committee, (2021) observed that properly structured risk transfer mechanisms contribute to increasing financial stability by reducing concentrated exposures and dispersing risk among multiple participants.

Risk Prevention Practices

The second objective, of the study, was to investigate the influence of strategic preventive measures against risks in the performance of Kenya Commercial Banks in Nairobi County. In terms of proactive actions that a bank requires if it is to create solid business with its client in relation to risks control, staff training, cyber threat management, analysis of risk, cyber threat security, control systems, systems of fraudulent, are necessary. Put simply, the section's concerns are trying to make sure banks are a head up when managing risk. For the purpose of developing a clear view, respondents were made to give assessment of individual aspects in the preventive strategy against risks practiced by their respective firms from 1-strongly disagree 1-Strongly Agree

(on a five point liker-scale); see following Table showing risk preventive methods implemented in the Bank according to respondents of the latter bank

Table 4. 8: Risk Prevention Practices

Statement	Means	STD. Deviation
To what extent does Kenya Commercial Bank (KCB) implement strict employee training programs to prevent operational risks (e.g., fraud, errors, compliance breaches)?	4.34	0.045
To what extent does KCB enforce strong cybersecurity measures (e.g., firewalls, encryption, multi-factor authentication) to prevent data breaches and cyber threats?	4.45	0.023
To what extent does KCB conduct regular risk assessments and audits to identify and mitigate potential risks before they escalate?	4.38	0.031
To what extent does KCB enforce strict internal controls (e.g., segregation of duties, approval hierarchies) to prevent financial mismanagement and fraud?	4.29	0.038
To what extent does KCB implement robust Know Your Customer (KYC) and Anti-Money Laundering (AML) policies to prevent financial crimes?	4.51	0.019
To what extent does KCB use advanced fraud detection systems (e.g., AI monitoring, transaction alerts) to prevent fraudulent activities in real time?	4.17	0.052

Research Data (2026)

The review demonstrates that the risk prevention practices of Kenya commercial bank are surrounded by a very good atmosphere. A fairly high score ranging between 4.17 to 4.51, revealed that the majority of the respondents believed that Kenya commercial bank is doing a good job in its preventive measures. Further, the small standard deviations are an indication that there is general consensus on this.

The best feature was most certainly the strong Know Your Customer (KYC) and Anti-Money Laundering (AML) policies of the bank to address financial crimes, with an impressive rating of 4.51. This is indicative of the high compliance culture of KCB and adherence to the Central Bank of Kenya regulations and the international standards of financial crime prevention. This is extremely important because the existence of effective KYC/AML systems is the key to ensuring integrity in banking, and this is becoming more important than ever among regulators worldwide. This is in line with what Chirico and colleagues had observed years ago in 2019 regarding the importance of organizations having sound compliance frameworks to be able to prevent risks.

With regards to the implementation of sound cybersecurity measures by KCB that scored 4.45. That indicates that the bank is indeed investing in securing its cyber space against cyber threats.

With the pace of the development of digital banking, it is very encouraging to see that they are conscious of the emerging risks in this field. It is also worth noting that the study by Patel, (2020) also indicated that fintech companies that had strict cybersecurity policies received more consumer trust and experienced fewer breaches, which is a testament to the importance of such policies.

Further the study revealed that KCB was performing well in the area of conducting frequent risk assessment and audits to identify areas of possible problems before they become serious with a score of 4.38. This informs us that they are proactive in risk identification and will always be keen on detecting new threats within and outside the bank. It is a tactic that fits the Dynamic Capabilities Theory that emphasizes the requirement to feel opportunities and deal with risks.

To top it all, their employee training programs were very strict in terms of preventing operational risks and they scored 4.34. This means that KCB has realized the need to have well trained personnel who can handle risks effectively after all, they are the first line of defense against hiccups in the operations. Other studies such as that conducted by Brown and Williams, (2021) in the healthcare sector reported the same findings; organizations that required risk management training reported fewer errors and improved outcomes.

The findings reveal a good internal control such as the segregation of duties as shown by (mean=4.29). This is an indication that they are committed to ensuring good structures of governance that aid in curbing mismanagement and fraud by checking and balancing operations.

Research by Jones et al. in 2019 affirmed that a strong internal control system at banks results in reduced financial fraud and minimal operational losses, revealing the importance of the practices.

Finally, their sophisticated fraud detection systems with AI surveillance scored decently (4.17) but the lowest of prevention practices, it does indicate that they are putting a substantial investment in technology to prevent fraud. That notwithstanding, this marginally less score might be an indication of opportunity or improved combination with other risk management activities. As a review by Leo et al, (2019), AI-powered fraud detection can be very powerful, and additional investment can yield significant gains in the future.

All these scores on various risk prevention practices are a true reflection of the fact that KCB has developed a strong culture of preventive risk management in its operations. It is reminiscent of what Azreen, (2011) in terms of how an environment that is built on sound risk awareness could result in a greater adoption of risk mitigation measures, which in turn would result in improved performance in general.

Risk Control Practices

The third targeted specific objective was to determine the impacts of strategic risk control practice on the performance of Kenya Commercial Banks within Nairobi County, Kenya. Risk control practices refer to the continuous monitoring, detection and response systems which allow the bank to control the perceived risks adequately. These are real time monitoring systems, automated internal controls, contingency planning, liquidity management strategies, stress testing, scenario analysis and dynamic credit risk rating systems. These practices will make sure that after the identification of risks, the risks are constantly monitored and controlled within reasonable parameters.

The respondents were requested to rate various points concerning risk control practice in their organization. The findings as indicated in the table below give an idea on the perceived effectiveness of the risk control mechanisms in the bank.

Table 4. 9: Risk Control Practices

Statement	Means	STD. Deviation
To what extent does KCB use real-time monitoring systems to detect and control emerging financial risks?	4.23	0.037
To what extent does KCB implement automated internal controls to limit operational errors and unauthorized transactions?	4.18	0.041
To what extent does KCB maintain contingency plans (e.g., disaster recovery, business continuity) to control crisis situations?	4.31	0.029
To what extent does KCB enforce strict liquidity management strategies to control cash flow risks?	4.28	0.033
To what extent does KCB utilize stress testing and scenario analysis to control credit and market risks?	4.11	0.046
To what extent does KCB apply dynamic credit risk rating systems to control loan default risks?	4.15	0.039

Research Data (2026)

Table 4. 9 suggests that the overall perception of risk control practices of KCB is quite positive, and the average scores are between 4.11 and 4.31. This implies that the majority of the people feel that the bank is performing well in its control measures throughout the board. Not only that, the standard deviations are low, which means that there is a great deal of consensus regarding the effectiveness with which the bank manages risk.

The best product was the fact that KCB has maintained contingency plans, such as disaster recovery and business continuity plans, which had a high mean of 4.31 with a negligible variation

of 0.029. It is a good indicator that KCB takes crisis planning and contingency planning seriously and ensures that they have the ability to maintain the operation of things and recover swiftly after any setbacks. This is particularly critical nowadays when risks due to cyber-attacks and other natural disasters increase. It makes me think of a study by Lyambiko (2015) about the management of operational risk in Tanzanian banks, who discovered that a clear-cut contingency planning actually assisted in enhancing financial performance and resilience.

Their rigid liquidity management strategies to manage the risks of cash flow came next with a second-highest rating of 4.28 (SD=0.033). This demonstrates that KCB is determined to maintain sufficient liquidity in place to cover its obligations even in the tough times in the same manner as regulators at Central Bank of Kenya would want and the international standards such as Basel III would want. This supports the results of Sathyamoorthi et al. (2020): the proper management of liquidity risk could actually boost the financial success of a bank.

KCB also scored high in the aspect of applying real time monitoring systems to identify and control arising financial risks with a score of 4.23 (SD=0.037). This informs us that they are using technology to ensure that they monitor their risk exposures at all times so that they are able to respond swiftly to emerging threats. It is also quite consistent with the Dynamic Capabilities Framework (Teece, 2023), which also emphasizes the importance of the ability to feel changes in the rapidly changing environment.

Their application of automated internal controls to reduce the number of errors in their operations and unauthorized transactions was another strength, with a mean score of 4.18 (SD=.041). This implies that KCB has incorporated these controls into their automated systems reducing their dependence on manual checks and increasing the reliability of the manner in which controls are implemented. Eikenhout's (2015) research in insurance showed similar findings automated control systems can really enhance performance by minimizing errors and improving efficiency.

On the aspect of dynamic credit risk rating systems to control loan defaults, KCB also scored well (Mean=4.15, SD=0.039). This implies that they already possess sophisticated instruments in evaluating the creditworthiness of their borrowers on regular basis, and this is very important in ensuring that the quality of assets stays high and that any non-performing loans are managed properly. Study by Liu et al. (2019) on peer-to-peer lending has emphasized the importance of these dynamic rating systems in dealing with default risks.

Finally, although the stress testing and scenario analysis of credit and market risks scored well (4.11 with a SD= 0.046), it was the lowest of all the practices listed. Although this also demonstrates that they possess sound risk modelling skills, this is a relatively low score that suggests that there could be some improvement or increased use of these analytical tools. The

study conducted by Mwangi (2015) emphasized the importance of stress testing in order to get familiarized with the vulnerabilities and prepare to face a difficult situation.

On the whole, these results create an image of KCB with detailed risk control tools that enable them to monitor and control the risks they undergo continuously. This is in line with the results of Mehralian (2023): a combination of systematic risk regulation strategy and good organizational capabilities forms an effective synergy that leads to an overall improvement in business performance. The tight control environment herein is a strong base of financial stability and operational strength of the bank in the future.

Risk Retention Practices

The fourth goal was to investigate how the strategic risk retention practices impact the performance of Kenya Commercial Banks in Nairobi County in Kenya. Risk retention is where a bank takes a deliberate decision to retain some risks in the bank instead of passing them to third parties. The method is normally used when dealing with manageable risks whose cost of transfer is greater than the losses that may occur or where internal expertise competitively benefits in handling the risk. The main elements of risk retention are keeping internal capital reserves, consciously taking low-probability risks, captive insurance, taking the risk of currency fluctuations, depending on liquidity buffers, and taking the risk of non-critical systems cybersecurity.

The participants were instructed to respond to a number of questions about the retention practices of their organization. The table below presents the results which gives an insight into how the bank has managed to retain and internally handle the selected risks.

Table 4. 10: Risk Retention Practices

Statement	Means	STD. Deviation
To what extent does KCB maintain internal capital reserves to absorb potential financial losses from credit defaults?	4.42	0.026
To what extent does KCB intentionally retain lowprobability, high-impact risks (e.g., minor operational disruptions) rather than insuring against them?	3.34	0.058
To what extent does KCB use captive insurance arrangements (e.g., in-house insurance subsidiaries) to retain and manage risks internally?	2.76	0.067
To what extent does KCB deliberately accept currency fluctuation risks for certain transactions without hedging?	3.45	0.049
To what extent does KCB rely on its own liquidity buffers (e.g., cash reserves) to manage short-term funding risks instead of external borrowing?	4.38	0.031
To what extent does KCB retain cybersecurity risks for noncritical systems, opting for internal mitigation over thirdparty insurance?	3.62	0.043

Source: Research Data (2026)

The results give a bright detailed picture of the way KCB manages risk retention. They have a sound command of capital and liquidity buffers but their approaches to other types of risks are somewhat more discriminating and selective. Among the best things is that they believe in maintaining internal capital reserves so that they are not caught in the event of credit default and they have a score of 4.42 on average. This demonstrates that KCB does take the precaution of ensuring that there is sufficient capital available to recover any credit losses, which is a good risk management practice and makes them stay within the regulatory requirements. It is more or less what Kiragu, (2015) about Kenyan state-owned enterprises there is an evident correlation between the quality of risk management and the general performance of organizations.

They also rated 4.38 on their use of internal liquidity buffers to manage the short term funding risks rather than using outside borrowing. This implies that KCB has a healthy pool of liquid funds to use when they are supposed to meet their short-term liabilities. In so doing, they reduce their dependence on external funds, which may be quite expensive or difficult to access, particularly during difficult market times. This method certainly reflects their risk-averse attitude to liquidity risk and an ability to remain solvent at all costs.

They were moderate with regards to cybersecurity risks in non-critical systems (3.62). It appears that KCB is cautious about the types of cyber threats that they want to insure against and those that they would want to handle internally. Depending on the severity of the systems, they probably balance the expense against the gains. This is a well-rounded approach that indicates that they are being smart with regard to cyber risk management, combining insurance coverage with their in-house controls.

On a different note, they are taking a risk of currency fluctuations without hedging and they scored 3.45. It implies that KCB opts to maintain some foreign exchange exposures during the time that the cost of hedging is not reasonable or they have inherent offsets that assist in alleviating the risk. It is all under a strategic thinking, in which they are comfortable with making manageable risks depending on their appetite and the capacity to manage possible losses.

They also rated 3.34 in intentionally retaining low probability, high impact risks instead of insuring them. This informs us that KCB is being picky in which potential risk they decide to keep on since they are calculating that the cost of transferring the risk that they are taking may be more than simply bearing the losses whenever they may happen. This is supported by the research conducted by Muthoni in 2015 that revealed that having contingency funds in case of any unforeseen events can greatly enhance the project implementation process by having funds when required.

Nevertheless, their applies to captive insurance arrangements only received the lowest score of 2.76 which suggests that the KCB does not heavily rely on the use of in-house insurance subsidiaries. This may be because of the complexity and regulatory challenges of establishing such

structures or just the desire to remain in the traditional insurance markets to fulfill most of their risk transfer requirements.

Overall, these observations indicate that KCB is an organization with a careful and discriminating attitude towards risk retention. Their capital and liquidity reserves are strong and they are cautious of what other categories of risks to hold. This moderate approach is a reminder of the research conducted by De Araaujo Lima, Cremo, and Verbano, (2020), which states that strategic risk management actually enhances the performance of organizations, particularly when it comes to innovative solutions. The practices of KCB demonstrate that they have a shrewd sense of when it is better to assume risk themselves as opposed to transferring it to other parties.

Organizational Performance

The general aim of the research study was to examine the impacts of strategic risk management practices on the performance of Kenya Commercial Banks in the Nairobi County, Kenya. The dependent variable is the organizational performance, which is determined as the effectiveness with which the bank fulfills its financial and operational objectives. In this paper, performance was gauged based on factors like profitability targets, market share retention, reduction of nonperforming loans, improvement of customer satisfaction, operational efficiency, and strategic growth goals. The summary of the respondent perceptions on these performance factors is summarized below.

Table 4. 11: Organizational Performance

Statement	Means	STD. Deviation
To what extent has KCB achieved its annual profitability targets (e.g., ROA, ROE) in the last three years?	3.87	0.044
To what extent has KCB maintained or improved its market share in Nairobi City County compared to competitors?	3.42	0.051
To what extent has KCB reduced non-performing loans (NPLs) as a percentage of its total loan portfolio?	3.23	0.063
To what extent has KCB enhanced customer satisfaction and retention rates in the last two years?	3.96	0.036
To what extent has KCB achieved operational efficiency (e.g., cost-to-income ratio, transaction processing times)?	4.08	0.028
To what extent has KCB met its strategic growth objectives (e.g., branch expansion, digital transformation)?	4.21	0.032

Source: Research Data (2026)

The findings give a slight complex picture of the performance of KCB. On the one hand, the findings revealed an operational efficiency and strategic growth is concerned. Conversely, the findings are only average in terms of their profitability and customer satisfaction and struggling with market share expansion and reduction of non-performing loans.

Regarding the achievement of such strategic targets as the expansion of branches and the improvement of digital services, KCB scored admirably (Mean=4.21, SD=0.032). This implies that citizens believe that KCB is doing very well in its efforts, particularly in expanding its physical presence and increasing its digital banking devices. It fits quite closely with what the annual report of the bank stated concerning their huge investment in digital upgrades and expansion strategies.

Then there is operational efficiency that scored highly at the second-place (Mean=4.08, SD=0.028). It means that KCB is indeed walking the walk in terms of streamlining operations and containing costs, probably due to those technology investments and process improvements as revealed above. A study by McKinsey, (2022), revealed that banks that apply advanced analytics and technology may experience some meaningful efficiency increases.

When considering customer satisfaction and retention of the last two years, as shown by (Mean=3.96, SD=0.036), the results revealed that KCB efforts to be digitally transformed and enhance its services are bearing fruits in the way customers perceive it and their loyalty to it. Nevertheless, this score is slightly lesser than operational efficiency, which is an indicator that the customer experience game can be raised a notch higher.

When it comes to achieving such annual profitability goals as Return on Assets (ROA) and Return on Equity (ROE), they scored an average (Mean=3.87, SD=0.044). So on the one hand, KCB is achieving fairly well its profitability objectives, but it does not appear to be doing so as well as they are doing in their operational effectiveness or growth policies. Central Bank of Kenya pointed this year that even though KCB continues to remain profitable, they are experiencing the stress of economic peaks and valleys as well as increased competition.

Market share maintenance in Nairobi City County had a low positive score (Mean=3.42, SD=0.051). This makes it obvious that KCB faces some serious competition in Nairobi as it has problems in expanding its share relative to other banks and fintechs that are coming out of the wood. Last year, Omondi and Owino pointed to the struggles of traditional banks to compete with new agile financial technologies in the market.

The weakest was the reduction of non-performing loans (NPLs) as a percentage of total loan portfolio (Mean=3.23, SD=0.063) which had the lowest rating. This indicates that credit quality management remains a major challenge to KCB particularly with NPLs increasing in the banking industry reaching 14.2 percent in the KCB in 2022, which is higher than the industry standards as portrayed by the recent report by the Central Bank. It actually shows the importance of effective credit risk management in these uncertain economic times.

In general, these performance ratings indicate that KCB is shining brightest in areas where it revealed an investment in a strategic manner such as operation efficiency and growth but revealed

that on issues associated with the external market such as competition and customer behavior in terms of market share growth and addressing NPLs. This trend echoes the ResourceBased View theory of Barney way back in 1991 which postulated that home-grown capabilities could create an advantage but may not translate easily into market success with the effect of outside factors.

These observations are also indicative of the actual dynamic and competitive nature of the banking environment in Nairobi so that even a giant such as KCB must innovate to remain competitive. The mixed bag of performance outcomes highlights the importance of sufficient strategic risk management practices in assisting them overcome problems of credit quality and market competition as well as exploiting their operating advantages.

Inferential Analysis of the Study

After the descriptive analysis, inferential statistics were used to establish the nature of connection between the independent variables (risk transfer practices, risk prevention practices, risk control practices, and risk retention practices) and the dependent variable (organizational performance). The Pearson correlation analysis was done to determine the bivariate relationships and the multiple regression analysis was done to determine the overall impact of the strategic risk management practices on organizational performance.

Correlation Analysis

Pearson product-moment correlation coefficient (r) was used in ascertaining the bivariate connection between the main variables in the study, namely, organizational performance, risk transfer practices, risk prevention practices, risk control practices, and risk retention practices. This discussion gives a preliminary insight into the connection between individual strategic risk management practices and organizational performance that is the basis of more comprehensive multivariate studies.

Table 4. 12: Correlation Analysis

		Organizational Performance	Risk Transfer Practices	Risk Prevention Practices	Risk Control Practices	Risk retention Practices
Organizational Performance	PearsonCorrelation	1				
	Sig. (2-tailed)					
Risk Transfer Practices	Pearson Correlation	.412**	1			
	Sig. (2-tailed)	0.003				
Risk Prevention Practices	Pearson Correlation	.487**	0.156	1		
	Sig. (2tailed)	0.001	0.089			
Risk Control Practices	Pearson Correlation	.534**	0.143	0.178*	1	
	Sig. (2-tailed)	0.000	0.112	0.042		
Risk Retention Practices	Pearson Correlation Sig. (2-tailed)	.356** 0.005	0.128 0.146	0.134 0.121	0.146 0.098	1

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

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

Research Data (2026)

The correlation study summarized in Table 4.12 provides us with useful information on the role of strategic risk management practices in the Kenya Commercial Bank performance. The interesting thing is that the four practices had a favorable and substantial link with organizational performance, albeit with varying degrees of strength.

Risk control practices and the performance of the organization ($r = 0.534$, $p = 0.000$) had the highest relationship. This strong moderate-to-strong relationship leaves one to understand that those banks that had effective risk control systems such as real-time monitoring, automated internal controls, contingency planning and stress testing would do a whole lot better in performance. The significance of the statistics here is significant at level 0.01, which is an approximation of less than 1 percent probability of this correlation occurring by chance. It actually puts emphasis on the importance of continuous monitoring and control systems in ensuring the stability of finances and smooth running of operations. This coincides well with the discovery made by Mwangi way back in 2015, which revealed that financial institutions that employ systematic risk governance have a higher financial performance.

Further, risk prevention practices were high in strength (r = 0.487, p = 0.001). This positive relationship with a medium strength thus means that proactive approaches such as training of the employees, effective cybersecurity, frequent risk analysis and effective KYC/AML policies can contribute substantially to the overall performance of the bank. Here, again, the study revealed that the significance at the 0.01 level is significant and this relationship is holding water. It confirms the results of Smith and Lewis (2020), who noted that proactive risk prevention efforts by organizations frequently result in increased financial stability and general performance.

There was also a favorable but decent connection between risk transfer practices and organizational performance (r = 0.412, p = 0.003). This implies that by employing techniques to transfer some of the financial risks to the third parties believe insurance policies or hedging plans, the bank affects its performance results positively. Again, we have a significance level of 0.01 of this relationship. This is supported by Girangwa (2019), who concluded that there is a substantial correlation between the adoption of risk allocation methods and increased organizational success.

Then there are risk retention practices that were found to have a less significant but positive correlation (r = 0.356, p = 0.005). This implies that the decision made by banks to retain some of their risks in-house such as holding capital reserves or the liquidity buffer, does positively affect their performance too, but not as significantly as the other practices that we have mentioned. It is also not a matter of pure chance as the importance here affirm. This is reflected in Kiragu, (2022) study which demonstrates a significant correlation between the absorbance of risks affecting organizations and their performance outcomes.

Another crucial conclusion of this analysis is the relationship of the independent variables with one another. The correlation between the various practices of risk management was generally weak and moderate; majority of them were less than 0.20. Inter-correlation was highest between risk prevention and risk control practices (r = 0.178, p = 0.042) where a weak, although statistically significant relationship was found at the 0.05 level. This implies that those banks that have good preventive control tend to have good control systems in place as well indicating the possibility of a holistic approach to risk management in general.

The low correlation between the independent variables, with all of them being below 0.20, implies that the four risk management practices are fairly different to each other. Each of them addresses various aspects of strategic risk management. This low level of multicollinearity is in fact a good news to our regression analysis in future as it implies that each practice contributes something different to the table with respect to explaining how organizations perform without overlapping too much.

In general, it is evident that each of these four strategic risk management practices is instrumental in the performance of an organization. Interestingly, the most influential practices are those aimed

at risk control and prevention. This actually coincides with some of the important theories we are studying in this study. As an example, the Enterprise Risk Management Theory emphasizes that the process of risk mitigation should be comprehensive, and the Dynamic Capabilities Framework notes that it is critical that organizations continue to adapt their risk management strategies as the circumstances evolve.

Multiple Linear Regression

After the correlation analysis, the research utilized multiple regression analysis to examine the combined effect of the predictor variables (risk transfer practices, risk prevention practices, risk control practices and risk retention practices) on the response variable (organizational performance). This analysis offers a deeper insight into how all these strategic risk management practices affect the performance of banks and what proportion of the overall effect on the performance is contributed by each practice.

Table 4. 13: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.812^a^	0.659	0.641	0.1432

a. Predictors: (Constant), Risk Retention Practices, Risk Transfer Practices, Risk Prevention Practices, Risk Control Practices.

Source: Research Data (2026)

Table 4.13 presents to a regression model which delves into the effects of strategic risk management practices on the performance of organisations, and the results are quite impressive. Having a multiple correlation coefficient (R) value of .812^a^, it is evident that there is a strong positive relationship between the collective predictors; Risk Transfer Practices, Risk Prevention Practices, Risk Control Practices, and Risk Retention Practices and organizational performance. In essence, the combination of these four practices is what describes a large portion of what determines the performance of an organization.

The coefficient of determination ($R^2 = 0.659$) informs us that between 65.9 per cent of the change in performance can be attributed to such risk management practices. In the case of Kenya Commercial Bank in Nairobi County, this implies that close to two-thirds of the variations in performance between its branches can be attributed to their performance in terms of the application of these four practices.

At this point, by examining the value of adjusted R-squared 0.641 which is quite near the unadjusted R-squared, the findings revealed that we have a solid model. It implies that the role of all the four predictors is unique and significant without intersecting with each other to an excessive degree. The low shrinkage of only 1.8 percentage points makes us know that we are not overfitting our model; the model should be able to stand any situation.

The standard error of the estimate is equal to 0.1432, which is rather low and means that our predictions are rather accurate. This small error margin indicates that the regression line fits well with the actual data points, that is, certained about the performance of Kenya Commercial Bank depending on its risk management strategies in strategic ways.

This great explanatory power ($R^2 = 0.659$), strong robustness (adjusted $R^2 = 0.641$), and reasonable accuracy in estimates indeed support the notion that these four risk management practices are all interconnected into a holistic model of enhancing performance at Kenya Commercial Bank. It is in full compliance with what the Basel Committee on Banking Supervision (2019) promotes regarding the need to manage risks properly so that a bank can endure economic storms and remain afloat.

Taken altogether, therefore, these findings are indeed a great emphasis on the importance of a comprehensive approach that should be taken by the commercial banks to enhance all facets of strategic risk management. The fact that our model tends to fit is an indication that the initiatives targeting the enhancement of risk transfer, prevention, control, and retention would probably lead to improved outcomes as compared to aiming at one area at a time. This substantially contributes to the concept of the holistic approach of strategic risk management in banking, which is absolutely consistent with the ideas of the Central Bank of Kenya (2023) and the Kenya Bankers Association (2022). But that leaves approximately 34.1% of the variance unexplored, which leaves room to the future research to investigate other influences on organizational performance such as external market forces, macroeconomic factors, regulatory changes, and specific firm-specific factors which were not in the current model.

Table 4. 14: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	42.356	4	10.589	24.673	.000
	Residual	21.912	171	0.429		
	Residual	64.268	175			

a. Predictors: (Constant), Risk Retention Practices, Risk Transfer Practices, Risk Prevention Practices, Risk Control Practices.

b. Dependent Variable: Organizational Performance

Research Data (2026)

The ANOVA Table 4.14 highlights actually some important findings regarding the consequences of strategic risk management practices on organizational performance. In essence, this regression model indicates that there is strong association between such factors as Risk Transfer, Risk

Prevention, Risk Control, and Risk Retention Practices and organizational performance. The F statistic of 24.673 with a p-value of 0.000 indicate with high confidence that such results are not merely random chance there is less than a 0.01 percent probability of that event, this strongly indicates that these strategic practices are major factors behind the variation in performance in the branches of KCB in Nairobi County.

In a further breakdown of the numbers, the sum of squares is 64.268, and this sum represents the overall change in the performance scores. Out of this an explained variation (regression sum of squares) of 42.356 and an unexplained variation (residual sum of squares) of 21.912. The fact that the explained variation is approximately twice the unexplained one shows that our model is fairly good at describing the differences between the performance outcomes. And the fact that regression values of 10.589 and residual values of 0.429 gives us a real sense when considered the fact that the model is explaining much more in comparison to what we cannot explain.

In terms of degrees of freedom, the study revealed that there are four predictors (df = 4) and 171 degrees left to the residuals since the number of respondents is 176 and four of them are predictors together with one constant term. The F-ratio in this case is obtained by the mean squared regression (10.589) divided by the mean squared residual (0.429) and we are back to 24.673. This high ratio emphasizes that the differences that we are observing are very large and cannot be attributed to mere chance.

And the implications here should not be ignored either: when the statistical significance is this high (p = 0.000) it appears to be quite obvious that the improvement of all four areas of strategic risk management would result in the actual changes in performance. Nevertheless, it must not disregard the fact that there is still a significant amount of unexplainable variation (21.912) that is not accounted by this model that has been omitted suggests that there are other variables that influence organizational performance that are not being considered by this model yet. It may be a good idea therefore that future studies explore factors such as macroeconomic factors, competition, government regulations, or technological shocks, which also have the potential to influence the performance of banks.

Overall, these results actually confirm the premise that strategic risk management practices play a critical role in the success of a bank. They also indicate that further researches on precisely how these practices affect performance results in the commercial banking industry are necessary.

Table 4. 15: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	β	Std. Error	Beta β		
(Constant)	0.876	0.342		2.561	0.011
Risk Transfer Practices(x_1)	0.246	0.089	0.187	2.764	0.006
Risk Prevention Strategies(x_2)	0.357	0.078	0.312	4.577	0.000
Risk Control Practices(x_3)	0.423	0.082	0.364	5.159	0.000
Risk Retention Practices(x_4)	0.189	0.071	0.158	2.662	0.008

a. Dependent Variable: Organizational Performance

Research Data (2026)

The regression coefficients table 4.15 provides valuable information on the importance of each strategic risk management practice to organizational performance in KCB in Nairobi City County, Kenya. The analysis reveals a number of important trends in the impacts of the different risk management practices on performance outcomes.

The regression model is represented by the equation:

$$\mathbf{Y = 0.876 + 0.246X_1 + 0.357X_2 + 0.423X_3 + 0.189X_4}$$

Whereby:

Y is the Organizational Performance

$\mathbf{X_1}$ is Risk Transfer Practices

$\mathbf{X_2}$ is Risk Prevention Practices

$\mathbf{X_3}$ is Risk Control Practices

$\mathbf{X_4}$ is Risk Retention Practices

ε is the error term

We shall divide this into easier terms.

First, the constant term of β = 0.876 and p = 0.011 were realised. This basically establishes the zero point of organizational performance at zero values of other variables. The t-value of this case is 2.561 which is significant at the level of 0.05 indicating that this intercept is indeed significant and lends credibility to our predictive model. It means that though KCB did not take any of the risk management practices that were measured in the study, it would still score fairly well likely due to such aspects as brand strength, market presence, or regulatory support.

Turning to risk control practices now it became the strongest predictor of the organization performance (0.423, p = 0.000). With each one unit rise in these practices, revealing an expected

0.423-unit growth in the organizational performance. This is supported by the standardized coefficient (Beta = 0.364) which indicates that it is making a huge difference in the changes in performance. Having such a high t-statistic (5.159), and an extremely low p-value (0.000), we can truly rely on the fact that this relationship can stand the test of time. That is why the importance of such practices as continued monitoring, automated controls, and stress testing to ensure that the banks remain on top of their game is quite juxtaposing the Eikenhout, (2015) concerning the way that the strict risk management practices translate into better business results.

Next, there is the risk prevention practices with a 0.357 (p = 0.000) impact. Again, there is a significant unique contribution with a standardized coefficient (Beta = 0.312). This t-statistic is also quite high (4.577) and the p-value (0.000) is low, thus it can be ascertained based on the results. The findings therefore implies that such proactive measures as employee training and routine risk evaluation actually results in improved performance which is well in line with the results of Kumar (2018) in which he concluded that the performance of companies that adhere to rigorous rules increases their confidence in the market.

There was also a positive impact of risk transfer practices on performance (0.246, p = 0.006). The standardized coefficient in this case is less (Beta = 0.187), which means that it is still significant but not as significant as control and prevention practices. The t-test of 2.764 proves that it is significant at the level of 0.01; this implies that strategies such as insurance utilization or outsourcing assistance enhance the performance of the bank as well but not as strong as the first two categories.

Finally, there are risk retention practices with less important but still significant effects on performance (r= 0.189, p = 0.008). The standardized coefficient of Beta = 0.158 and strong tstatistic (2.662) indicate that the decision to retain part of the risks internally such as the maintenance of capital reserves can also have a positive performance impact.

The outstanding thing in this scenario is that the four predictors are all statistically significant in as far as organizational performance is concerned ($p < 0.01$ in all four cases). All of them contribute to the picture of understanding the performance outcomes with the risk control taking the first place, followed by prevention, transfer, and retention.

To recap it all, the four strategies are all important, but risk control and prevention appears to be the game-changers to the success of KCB since it is all about dealing with risks at the earliest stage when they can be managed before they escalate. This goes well with what we understand of Dynamic Capabilities Framework by Teece et al., which identifies the importance of identifying and pursuing opportunities and maintaining threats at bay.

These findings also lead to what is suggested under the Basel Committee on Banking Supervision Enterprise Risk Management framework whereby banks must have comprehensive systems that incorporate different approaches to one another effectively. The minor effects of risk transfer and retention imply that they are used as supportive means instead of the dominant strategies.
All in all, these regression findings support our initial thoughts and conjectures with considerable force! They demonstrate explicitly how these strategic risk management practices can not only contribute to improved organizational performance but also support theories of resource-based advantages and management strategies based on the situation.

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter summarizes the major findings and providing some conclusions and recommendations. It plunges into the primary goals, which were all concerned with understanding how various strategic risk practices such as risk transfer, prevention, control as well as retention influence the performance of Kenya Commercial Bank in the Nairobi County.

The chapter continues to make some specific recommendations to the bank management, policymakers, and regulators. The idea behind this is to enhance strategic risk management systems in order to ensure that such banks are able to sustain sustainable performance and financial strength. Finally, it suggests some research directions in the future to address those unresolved questions within our ever-changing banking landscape.

Summary of Findings

In risk transfer practices, the findings indicated that Kenya Commercial Bank is a participant that uses various approaches to transfer financial risk to other locations. The respondents were more or less in unison concerning the bank taking contractual agreements as part of the legal and compliance risks (Mean=4.21), insurance policies to address financial risks such as fraud (Mean=4.12), and outsourcing of key functions (Mean=4.08). Their cooperation with reinsurance firms in situations that are risky was also a thumbs up (Mean=3.98). On the other hand, their activity in hedging foreign exchange and interest rates was rated as moderate (Mean=3.45) whereas credit derivatives such as credit default swaps were the lowest rated (Mean=2.87). This implies that KCB has good risk transfer mechanisms and may certainly consider more sophisticated alternatives.

On risk prevention practices, the study revealed that feedback scores measured in all areas were very positive with the mean scores of 4.17 to 4.51. Their compliance with the Know Your Customer (KYC) and the Anti-Money laundering (AML) policies scored the highest (Mean=4.51) demonstrating their compliance. The degree of cybersecurity was also high (Mean=4.45), which shows that they are spending a lot of money to ensure their digital assets are secured. Risk

assessment (Mean=4.38), employee training (Mean=4.34) and good internal controls (Mean=4.29) were measures that were taken by the organization. Their fraud detection systems were rated fairly well (Mean=4.17), but somewhat lower than the rest, thus indicating that there is room to improve them.

When addressing the risk control practices, respondents were again positive, these were revealed with a mean score ranging between 4.11 and 4.31. They received the best rating in their disaster recovery plans (Mean=4.31) as they are prepared in the event of emergencies. Good liquidity management practices were also observed to be positive (Mean=4.28). They also have an effective use of real-time monitoring systems (Mean=4.23) and automated internal controls (Mean=4.18), and dynamic credit risk rating (Mean=4.15) as well as stress testing techniques (Mean=4.11) are also effective.

Next onto the risk retention practices, it was found that bank is strongly dependent on the capital reserves in case of losses incurred because of credit defaults with a high score there (Mean=4.42). They have got good internal liquidity buffers as well (Mean=4.38). But in terms of retaining cybersecurity risks or accepting currency fluctuation risks, the scores were more moderate such as 3s on average and they even rated their use of captive insurance arrangements rather low at Mean=2.76.

When it comes to organizational performance, it is rather a curious combination as well since in some respects, some areas are flourishing and in others, there are a few hurdles to be crossed. They were so successful with a solid mean score of 4.21 of strategic growth goals such as expansion and digital transformation of branches. The next area was operational efficiency with Mean=4.08 but customer satisfaction ratings were reduced to Mean=3.96 and profitability goals were reduced to Mean=3.87 not bad but not to where they would like them to be yet.

These correlations were supported by the statistics which showed that all the four strategic risk management practices had significant positive correlations with organizational performance. The risk control was found to have the best relationship with organizational performance ($r = 0.534$), then the prevention practices ($r = 0.487$) and the list went on. The multiple regression model thus contributed approximately 65 percent of what leads to the organizational performance due to these four practices combined; Risk control proved to be the biggest contributor to the results closely followed by the prevention measures which makes it clear that KCB is certainly doing something good as far as the management of risks is concerned.

Conclusion of the Study

Study revealed that the Kenya Commercial Bank in Nairobi County has a strategic risk management requirement as it is completely vital to the success of their business. However, it happens that the effectiveness of these practices depends on two primary factors: the strength of

individual practice, and, more significantly, the compatibility of all of them in a coherent risk management system.

Additionally, Kenya commercial bank has developed some formidable mechanisms as far as strategic risk transfer is concerned. They are using insurance policies, outsourcing and contracts to transfer financial and operational risks onto other parties, but they are not using more advanced instruments such as hedging or credit derivatives. This could imply that they are not enjoying some of the major benefits in terms of dealing with risks in the financial markets.

Further, considering strategic risk prevention, the bank appears to have a good culture of risk prevention in all areas. Their Anti-Money Laundering (AML) and Know Your Customer (KYC) policies are stricter, and they are already enjoying good cybersecurity and frequently conducted risk evaluations. The strong scores on these indicate that they do understand the importance of proactively dealing with risks and have invested resources on them. Nevertheless, the one-point lower score in the advanced fraud detection system indicates that in case they invest more in technological upgrades in prevention, they may achieve higher scores.

Continuing on the risk control practices by strategy, the research showed that Kenya Commercial Bank has established comprehensive systems of monitoring their risk exposures. Their emphasis on contingency planning and liquidity management demonstrates that they are keen on remaining strong even when the times get tough. Then, the risk control practices in fact explain the most of the performance difference in the bank; evidently, they have a significant role in ensuring the bank is stable and performing well.

Concerning the strategic risk retention practices, Kenya Commercial Bank is cautious when it comes to risk retention but within the company in terms of maintaining good capital and liquidity reserves. This is a safe approach that will enable them to survive financial storms. Nevertheless, they have moderate ratings in terms of retaining operational and market risks, which implies that they may be reacting to certain situations rather than being proactive. Although the relationship between retaining risks and overall performance is certainly good, they might have an opportunity to become more strategic in the kind of risks to retain and how to manage them in the most effective way possible.

In general, organizational performance, the analysis showed that Kenya Commercial Bank is performing fairly well in the areas that matter and this might be explained by the intelligent investments and management decisions that are based on efficiency and growth. Nevertheless, they continue to contend with certain external pressures such as competition in the market, and problems of non-performing loans. This shows that they have done a lot within themselves but they remain vulnerable to the outside forces that could influence the quality of their assets. Their strategic risk management practices can explain almost two-thirds of the performance variance,

which underlines how critical these strategies are; however, it also means that other variables, such as market dynamics and economic conditions, are equally critical.

To conclude, the practices of strategic risk management are evidently major stakeholders in the process of organizational performance in commercial banking. Of particular importance here are risk control and prevention. To exploit the full potential of these practices, however, the bank must integrate them into an organization-wide enterprise risk management strategy that balances all these: the transfer, prevention, control and retention are all aligned with their strategic direction and risk tolerance. Our regression model is highly explanatory (65.9) which corroborates this notion and indicates that by increasing all four dimensions of risk management, we may have a few actual performance returns.

Recommendations

The paper based on the findings recommends the following to the management of Kenya Commercial Bank, policy makers and regulators:

The bank should improve its risk transfer practices by considering more sophisticated risk transfer tools, particularly to address risks in financial markets. Management should review the bank's exposure to foreign exchange and interest rate risk comprehensively and develop a more active hedging program using appropriate financial derivatives. In addition, the bank should seek opportunities in the credit derivative markets to manage credit risk concentrations in its loan portfolio. This would complement its existing risk transfer methods thru insurance and contracts, by expanding the range of risks covered.

The bank should also invest in modern fraud-detection systems based on artificial intelligence and machine learning to improve risk prevention. "Current prevention methods are sound, but the evolving nature of financial crime and online dangers means detection technologies need to continue to improve. Management should focus on regular, targeted training of employes on emerging risk areas, and integrate the various prevention systems to create a more coherent and effective control environment.

The bank needs to continue investing in real-time monitoring systems and automated controls. Better integration of these systems with decision-making processes is essential to improve the effectiveness of risk control practices. These practices have proven to be sound performance indicators. Management should also consider developing more advanced stress testing and scenario analysis tools that cover a wider spectrum of potential risks, including new threats such as climate change, political instability and technological disruption. The bank should ensure that its contingency plans and business continuity arrangements are regularly tested and reviewed to reflect changing operational realities and risk landscapes.

The bank should develop a more structured process for identifying and managing risk retention practices to increase their strategic value. This framework should consider the costs and benefits of retaining and transferring different risk categories, and establish clear standards for required capital and liquidity buffers. Management should also consider whether a captive insurance arrangement would be beneficial for some categories of risks, considering regulatory requirements and operational complexity in relation to potential cost savings and long-term benefits to risk management.

Also the bank has to devise strategies to harness its risk management strengths as competitive advantages by transforming strong internal capabilities to market performance. It can use its well-established risk management framework to assure customers and stakeholders of its stability. This could improve customer confidence and attract risk-averse customers. The management needs to focus on developing innovative products and services that meet the customer needs within the known risk limits of the bank and enable growth without compromising on asset quality.

The study recommends that the policymakers and regulators such as the Central Bank of Kenya and the Kenya Bankers Association should come up with guidance and incentives that encourage adoption of comprehensive enterprise risk management practices in commercial banks. The regulatory structures should recognize the interrelated nature of the different risk management activities and foster integrated approaches instead of a piecemeal approach to compliance with different requirements. The Central Bank of Kenya may consider offering capacity building support to help banks enhance their mechanisms for risk transfer and control, particularly in areas like hedging, stress testing and scenario analysis.

Recommendations for Further Research

In order to expand on the results of this research, the following sections are recommended to be investigated further:

Longitudinal investigation to gain the causal relationships and long-term development of the strategic risk management practices and organizational performance of Kenyan commercial banks and how these processes change with different economic cycles and regulatory stages. This type of research would help to achieve a better understanding of how well and how long lasting the relations found in this cross-sectional study are.

Qualitative research that looks into the root cause of the poor adoption of some risk transfer mechanisms, including credit derivatives and full hedging program, among Kenyan banks. The study may examine the obstacles such as market development, regulatory restrictions, organizational capability and risk culture that prevents the application of advanced risk transfer mechanisms.

In Kenya, the comparative analysis of strategic risk management practices in various levels of commercial banks and the variations in the risk management strategies and their performance impact among large, medium and small commercial banks. This would offer an understanding of whether the results of this study of KCB (a Tier One bank) can be generalized to other types of banks and would be used to make policy specific to the tier.

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