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Effect of Risk Avoidance on the Financial Performance of Public Corporations in the Water Sector in Kenya

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ABSTRACT

Purpose: To determine the effect of risk avoidance on financial performance of public corporations in the water sector in Kenya

Design/Methodology/Approach: The study utilized descriptive survey research design. The target population was 181 staff in different managerial levels currently employed in the nine (9) public corporations in the water sector in Kenya. The sample was selected through stratified proportionate random sampling technique. The study employed simple random sampling in selecting 72 respondents from each stratum by sampling out 40 percent of the groups. Questionnaires were used to collect primary data. Both inferential and descriptive statistics were used to analyze data.

Findings: Risk avoidance influenced finance performance of public corporation in water sector to a great extent. The outcomes showed that risk avoidance was a statistically significant predictor of the performance (R=0.646) and contributed to the variation in performance 41.8 percent (R2=.418, P=0.000).

Implications/Originality/Value: On the risk avoidance, organization should have well developed strategies with detailed planning and preventive measures at level of the organization. This would ensure risks are avoided at early stage of projects thereby avoiding their occurrence. Similarly, fund and organization support should exist to ensure alternative projects are in the offing.

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Introduction

The general goals of the water industry are to supply clean, cheap and healthy drinking water with the assurance of its clients. The water industry has seen significant modifications in its risk minimization strategy to strategies that are increasingly becoming more open and more coupled

with the rest of the business procedures. The wide extension of the asset management (Aris, 2020), watershed protection(WHO, 2023) and network operation are in risk reduction approaches and techniques that had been used in the past in occupational, safety and public health protection (Claudin, 2020). On top of such an organizational context, utility managers are also becoming alarmed about how to handle the uncertainties of corporate decision-making. Asset repair outsourcing decisions, billings and monitoring, exchange managements, staff retention, long-term viability of investment decision and control of external interface with regulators and competent providers (Cliffs, Imran & Yusnidah, 2019). According to Mbaru, Mathuva and Nyamongo (2022), this type of organizational hierarchy that is present even in so-called flat utilities required such threats to be actively addressed in the strategic, program and operational levels.

Overall, divisive roles are assigned to such risks, as the ultimate responsibility will be on the chief financial officer / financial director and board. It is supported by strategic risk management control / inter-audit role; program level risks that it deals with include asset management, maintenance planning, and organizational (Tsiga and Tsiga (2018) managers have operational risk responsibilities (Ndege, 2023). Conflicts in this case can be caused due to the obvious risk trade-offs involved in the operation of a commercial water utility, which can be disruptive to the less broad-based financial concerns in the interests of the greater good of the entire population, the health sector. Recent amendments to the Recommendations on drinking water safety by the World Health Organization (WHO, 2023) came under question because of the transition of the industry to an explicit risk control philosophy. This general context was the motivation in the need to enhance the risk management capacity.

This was achieved through the formation of a few agencies, such as Water Services Trust Fund (WSTF), Water Appeals Board (WAB), Water Works Development Agencies (WWDAs) and the Water Service Providers (WSPs). Through these reforms, the development partners, the donors and the Kenyan government have been highly engaged in financing this sector, to improve the water infrastructure (Ochola & Nyamita, 2022). In order to get such funding by various partners, every organization was to develop a corporate risk policy structure.

Enterprise risk management (ERM) is one of the usual methods used to examine and manage all the risks that the business faces in a holistic manner. ERM measures the appetite of the business to the risks and evaluates the risks to be assumed and mitigated or avoided. The process of risk reduction in businesses has been traditional, as firms currently aimed to minimize firm risk costs by either transferring, lessening, retaining or eradicating risk exposure (Silva, Silva & Chan, 2019). However, under an ERM system, the corporate risks are referred to as portfolios and the total corporate risks do not represent the sum of the single risks (Usman, Yusnidah & Arpah, 2018). Following the financial crisis the risk reduction was no longer a very high profile operation and supervised by the CFO or in certain instances a CRO which was a minor concern in the past when companies were operated by the treasurer or the contractor or an insurance risk manager. According to Wambua (2019), the risk management strategies of all their largest US banks were affected by the crisis very little, with the possible exception of credit risks.

In the UK Pension Protected Fund, the mechanism of financial risk management starts with the appetite of the Risk Board of PPF and proceeds to identify and assess the main threats and risks in detail. Risk management in Austria has always been an important part of companies, but it has become mandatory since the Sarbanes-Oxley-Act of 2002 (Diesch, Pfaff & Krcmar, 2020). In Brazil, the ERM is considered a risk-generating Internal Control operation. The presence of a direct and autonomous responsible person, like a CRO, was not detected in most enterprises that follow the ERM (Silva *et al*., 2016). Financial institutions have in Pakistan implemented risk management system for businesses to determine the risk in banking and system operations and opt for risk minimization solutions (Nyang'au, 2017).

In order to foster strong public sector funding and contribute to economic growth and social upliftment throughout South Africa (Pillay, 2015), the South African national government initiated ERM activities. While ERM is an efficient and useful tools to handle modern risk exposures, it has been shown by (Balfoussia & Gibson, 2016), that in Nigeria not many companies have implemented ERM. The high participation of boards in the ERM phase has been demonstrated in a study carried out in Ghana by Bhatia and Ingolf, (2016) and inevitably contributes to substantially higher ERM practice at banks. Alzahrani and Seth, (2021) in Uganda reported that most of the projects funded by donors adopted risk management, which contributed to project execution.

A survey conducted by Price Waterhouse Coopers in Kenya in 2011 revealed that corporate risk management in Kenya was lacking, with 81 percent of the interviewed CEOs of various companies believing that risk was rising within their organizations and that conventional risk had transformed (PWC 2022). In (Gitau, 2024), the size of ERM and financial performance (FP) of the companies were determined in Kenya. According to the Deloitte and Touche (2022), the conventional risks of operations in Kenya were 95, 89 and 83, respectively. Kenya is not successful or underdeveloped in the ERM system. Although most (94 per cent) commercial banks and financial institutions in Kenya had established the ERM structure in tandem with the CBK guidelines of 2005, 74 per cent (32) of the institutions faced the threat of poor ERM system and this augmented risk to firms (CBK, 2010). The principal factors that contributed to the escalation of risks were; complexity, unpredictability, changing risks and globalization of trading operations (PWC, 2022). The Kenya country has been impacted by weak ERM in terms of competitiveness (Kahaso & Oluoch, 2018).

Risk management and FP researches were mainly conceptualized according to the theoretical models provided by regulators (Kipkemoi, Kiplangat & Langat, 2020). The major interest of the management is to maximize such returns to the shareholders who are demonstrating organizational efficiency. This, however, comes at the cost of escalating levels of risk (Ochola & Nyamita (2022). Risk management inspiration is based on uncertainties that may result to poor performance. To this extent Ndege (2023) introduces two contrary arguments. It then indicates that the application of successful ERM by firm leads to competitive advantage in the long term as compared to firms that manage and monitor risks independently. The former, however, claims that the earnings might be enhanced by the provision of best practices through the creation of effective and sound risk management practices. In this respect, our suggestion is to manage risks in a systematic manner.

Not many studies have been conducted in Kenya on the subject of corporate risk management and efficiency of the public sector. Majority of the studies focused on the financial sectors. Wambua (2019) established that the impact of corporate risk management practices in Kenya was very high on the FP. The factors that affect the performance of the ERM implementation in the parastatal Kenyan regions that were analysed by Mbaru, Mathuva and Nyamongo (2022) indicated that the successful implementation of ERM has a positive relationship with corporate capital, risk management coordination, corporate culture, and governance mechanisms with the most significant contribution to the dependent variable being the governance.

The conceptual history has revealed that not many studies have only examined corporate risk management and financial performance in the public companies and have concentrated on the financial sector in various studies. In addition, some of these experiments have yielded mixed results whereby some of the studies exhibit negative relationship whereas others exhibit positive relationships. Corporate risk management has also been ascertained to be inadequate and ineffective in most of the public institutions in Kenya. The research thus tried to establish risk avoidance and financial performance of the public corporations in the water industry in Kenya.

Statement of the Problem

Organizations are being constantly challenged by the different interested parties to efficiently handle risks and report on their success in such risk reduction initiatives. Corporations can more quickly and effectively understand the importance of applying the risk reduction framework by integrating corporate risk mitigation and efficiency. A business needs this understanding to continually invest capital in improving and expanding a corporate risk reduction process to guide policy, allocation of capital and other decisions required to achieve organizational goals.

The water sector in Kenya continues to experience persistent financial underperformance characterized by high non-revenue water, weak revenue collection, exposure to climate-related risks, and rising operational costs. In this case exists very high non-revenue Water at 45% nationally from 43% and KES 11.9 billion as lost revenue annually. There exists massive unbilled water and financial losses where 46% of total production (204.4billion) was unbilled (KNBS, 2024).

Need for risk mitigation is increasingly explicit in the water sector. Owing to the novelty and scope of the discipline, however, businesses face problems institutionalizing risk management. The impact of corporate risk management on results was reviewed by researchers. Mbaru, Mathuva and Nyamongo (2022) explored the impact on company long-term success from implementation of corporate risk mitigation principles by considering how characteristics of the finance, assets and market change during company risk mitigation. Gitau, (2024) claim to have a contribution to the success of a business, both individually and interactively, through corporate risk reduction strategies that address specific risk factors, including technical, organizational and marketing factors. Few studies were performed on the effects on efficiency in the water field of ERm. This study seeks to contribute to the literature by broadening the understanding of the concept of enterprise risk beyond the technical considerations. The study sought to fill the gap by exploring the effect of risk avoidance strategies on the financial performance of public corporations in the water sector in Kenya.

Objectives of the Study

To determine the effect of risk avoidance on the financial performance of public corporations in the water sector in Kenya

Research Hypothesis

H_{01}: Risk avoidance has no significant effect on the financial performance of public corporation in water sector

Theoretical Framework

The Modern Portfolio Theory (MPT) is an investment theory developed to make the most out of returns and the least out of risk by tactical selection of various assets (Markowitz, 1952). In effect, it offers a mathematical perspective of diversification, which seeks to develop a portfolio, whose diversification risk is less than that of any particular asset. This is a decrease in risk that is theoretically possible since various forms of assets may be moving in opposite directions. An example is that when there is a decrease in the price of stock market, bond prices tend to go up and the other way round. Gitau (2024) discovered that a portfolio that includes both types of assets can thus experience lower total risk than a portfolio that has either of the two categories of asset.

MPT is based on random walk theory, which states that the price movement of the assets is unforeseeable in nature. Although prices are expected to be along a long-term price trend using the growth of corporate earnings per share in nominal terms, short-term non-conformity to this

trend takes place randomly (Nana, Otoo, Kaur & Rather, 2023). Therefore, MPT has significant implications to the risk management and stresses that investors may minimize the total portfolio risk by attentively selecting and diversifying assets.

The pension fund management firms are managing the pension schemes of the members and thus they need to work towards investing in portfolios that will give the highest returns and lowest risks. As Tsiga and Tsiga (2018) discovered, MPT helps the ERM of firms to identify and manage its risk in a holistic manner in order to generate, safeguard and increase shareholder value. Nguyen, et al (2020) further explains that MPT is aware the risk management has become a big business and is still being transformed with the transformation of the financial world and the introduction of new sophisticated financial products.

In general, the risk aspect of MPT is quantifiable, via an array of mathematical formulations, and reduced through the notion of diversification which seeks to select a weighted portfolio of investment assets at an appropriate level in order to have reduced risk characteristics than the risk of investing in any of the individual assets or single asset classes. In reality, diversification is precisely the fundamental principle of MPT and directly based on the traditional wisdom of never putting all your eggs in one basket (Biira, Tukei & Tukei, 2021).

Conceptual Review

Imran and Yusnidah (2019) define risk avoidance as the avoidance of threats, in a way that makes it easier to undertake and submit decisions that can have a negative impact on an institution gains and investment decisions. Threat aversion is a risk avoidance approach that involves a complete eradication of threat. Risk avoidance is an extremely necessary tool because the operation of devolved governments in this situation is a subject of concern since the locals or people can observe the advantages of a decentralized government. Risk avoidance is about engaging in something thus decreasing the submission of the firm (Tsiga & Tsiga, 2018). Indicatively, a company must have reserves because a flash disk can malfunction. Avoidance gets rid of a risk altogether. Risk avoidance refers to seeking options that are avoidable and this can be done should significant modifications become necessary in a devolved system of government in an attempt to avert risks. The possible mitigation of risk avoidance in the performance of devolved government in Kenya would be through business strategy, sound investments and use of information security.

In case the risk is observed to have an adverse effect on the entire project, the objective of the project must be revisited. That is to say that the worst-case scenario is to entirely remove the risk by modifying the scope of a project or canceling it. This shyness makes sure that the risks may be avoided by exploring options in the project. Risk detection is a subjective factor in this approach. Determining risk avoidance is vital to an organization, which deals with risk avoidance. Every business has to identify its risks and respond to them under the company perspective. Moreover, businesses have common threats within sectors and through sectors which are established by individual organizations. The act of investing is so solemn as a risk avoidance instrument because it predisposes rules and regulations, blueprint of habits or plan of action through which an investor decides on an investment portfolio (Claudin, 2020).

Financial Performance

FP may be considered as economic performance evaluated by a plethora of financial indicators. The Chartered Institute of Public Finance and Accountancy (CIPFA) defines public FP management as the mechanism through which financial management resources are directed and controlled to facilitate and influence the achievement of public service objectives in an efficient and effective way (Diesch, *et al,* 2020). CIPFA defines the approach of managing performance of financial perspective in a whole system. As a framework approach to financial management,

IFAC advocates the holistic approach to the financial management process in the public sector and recognizes the essential importance of the system that supports the process, consultation with stakeholders, services and program demand, and governance. This aims at realizing social, individual and public values as the final aim of realizing sustainable social benefits unilaterally under the primary process factors (Biira, et al, 2021).

The administrators of the public sector organizations are therefore presented with conflicting signals due to the accounting techniques and practices. Introduction of accrual accounting should promote a long-term approach to resources management as compared to cash-based schemes. The organizations that take liabilities provisions may not but might not be allowed to take the costs or unable to hold cash generated to meet the liability in case the costs have been included in the price structures. The possible FP, in turn, consists of PFI payments when it comes to service costs; they were owed many years ago, yet they are not obligated yet on the balance sheet (Gitau, 2024). Kahaso and Oluoch, (2018) allege that the financial results use can still be defended on the basis that it reflects the actual FP of managers and, although it is a compilation of numerous measures including accounting profitability, efficiency, and cash flow. The metrics used to evaluate the FP are the following; benefit or value added; revenue, charges, budget; expense or investment and bond market measures and autonomy.

Empirical Review

The study by Aris (2020) was held in Malaysia regarding risk management in government spending and service provision. The research analyzed aspects which render the financial management system of the World Bank more efficient to manage financial and aid-related risks relative to those of government systems in Malaysia. It explicitly made a comparison between the World Bank and the Malaysian Ministry of Education on the practices in financial management with reference to the execution of Educational Sector Support Projects (ESSP) in the Malaysian Eighth Plan (20012005). The research involved the use of interviews, documented records and personal observations as evidence. The results of the findings emphasized the good risk mitigation measures of the World Bank such as Project Management Reports, quality staff of Project Implementation Unit, and enhanced procurement. The research established that the Ministry of Education needed to improve the risk management procedures and strengthen the financial reporting to bring the ESSP into effect in this time.

In their research, Mbaru, Mathuva and Nyamongo (2022) have investigated how governance can be used to reduce risks in counties in Kenya, based on the counties of Mombasa and Kilifi. The study was cross-sectional and utilized a descriptive design to sample 85 senior personnel in 11 departments. Descriptive statistics such as frequency distributions, means, modes and standard deviations were used to analyze both primary data and secondary data. The findings demonstrated that there is a good positive relationship between risk mitigation and governance practices. The study has highlighted that the early detection and reduction of risks play an important role in the financial stability of county governments in matters of income and expenditure control. It advised that county executives should come up with transparent conflict-of-interest management policies and make financial and audit reports transparent to the stakeholders.

The article by Abubakar, Nazif, Muhammad, and Muktar (2022) delved into how controls environment, risk evaluation, and control activities impact the FP of SMEs in Kebbi State, Nigeria. Primary data of 30 randomly selected SMEs were gathered in the study through the use of the structured questionnaire. The SPSS version 23 was used to do data analysis through regression models. The results showed that there are significant and positive effects of control environment, risk assessment, and control activities on FP of SMEs. The research has suggested that SMEs need to have a frequent financial audit and assessments of risks to determine any

possible vulnerability in their financial systems and to ensure that the objectives of the business are being achieved.

A research by Chelangat, and Mugo (2024) on the efficacy of internal control systems in the management of the public resource in the management of the Nairobi City County Government, Kenya was done. The specific objectives that were targeted included to establish the impact that information system has on the performance of state owned corporations in Kenya and to examine the impact the control environment has on the performance of state owned corporations in Kenya; Descriptive design was adopted in the study. 160 employees were utilized where the chosen one was the state owned corporation in Kenya as the population target. The study concluded that performance and information systems and control environment of state owned corporations had positive and ominous correlation. The research determined that internal control mechanisms, especially the ones that deal with information systems and the control environment have a positive role in the FP of state-owned corporations in Kenya. It suggested that parastatals should adopt strong internal control systems to enhance performance in an effective and efficient way.

Conceptual Framework

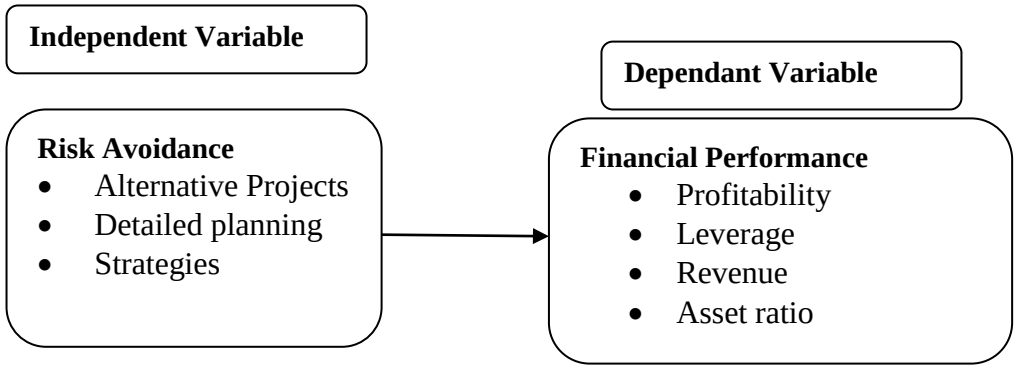


Figure 1.1: Conceptual Framework

Source: Researcher, (2025)

Methodology

Research design: Descriptive correlation survey design helps the researchers to identify and determine how the study variables associated with the problem relate to each other. The nature of the correlation survey also enables a researcher to assess study variables by asking questions and analysing the relationship between respondents (O'Connon, 2011).

Population: Nine public corporations in the water sector in Kenya (Annex I) were targeted in this report. The water corporations have 181 employees at various levels of management.

Table 1: Target Population

Level	Frequency	Percentage
Departmental heads	46	25.4
Sectional heads/ managers	135	74.6
Total	**181**	**100**

Source: HR records (2021)

Sample size: The study divided the population into two strata, namely heads of departments and sectional managers. The study used simple random samples for selecting 72 respondents from

each category by taking 40 percent. Random sampling frequently decreases the sampling error in the population, according to Cooper and Schindler (2003). This improves the accuracy of all methods used to estimate. A survey of at least 30% of respondents must exist statistically in order for generalization to occur (Cooper and Schindler, 2003).The selection was as follows:

Table 2: Sampling Frame

Level	Frequency	Percentage	Sample size
Departmental heads	46	0.4	18
Sectional heads/ managers	135	0.4	54
Total	**181**		**72**

Data collection: The primary data was gathered using a semi-structured questionnaire. The questionnaire was held short and organized in a likert scale, often by choosing multiple options, in order to ensure consistent response, and facilitate participation. The questionnaires were preferred in this study because the study's respondents were competent and could answer adequately the questions asked.

Data Analysis: The quantitative data encompass descriptive statistics, including mean, frequency, standard deviation, and percentages, presented in tables and charts. Additionally, inferential statistics such as correlation and regression were employed to derive coefficients, betas, and coefficients of determination (R Square), which were also displayed in tables and evaluated at a 5% significance level.

Results and Discussion

Test of Reliability

Table 3: Test of Reliability

Variable	Cronbach alpha
Risk Avoidance	0.737
Average	**0.737**

Source: Field Data(2025)

The Cronbach Alpha is a widely utilized metric for assessing reliability. The results presented in Table 3 reveal that the variables exhibit a Cronbach's Alpha value exceeding 0.7. Consequently, the data collection instrument demonstrated reliability (Castillio & Rojas, 2009). Based on the research findings, the reliability was calculated to be 0.737. This level of reliability was considered sufficient for the study to advance.

Test Of Validity

Table 4: Test of Validity

KMO and Bartlett's Test		
KMO Measure of Sampling Adequacy.		.756
Bartlett's Test of Sphericity	Approx. Chi-Square	661.810
	Sig.	.000

Source: Field Data (2025)

The Kaiser-Meyer-Olkin (KMO) test was used to determine the dataset's validity. The KMO Measure of Sampling Adequacy produced a value of 0.756 for this particular combination of variables hence above 0.4. As a result, there was no need to look at the Anti-Image Correlation Matrix because the KMO Measure of Sampling Adequacy satisfied all necessary criteria.

Through the use of factor analysis and SPSS, the validity was evaluated.

Demographic Characteristics

The sample population was given seventy-two questionnaires out of which the response rate was 95.83. This was great as it was better than the minimal value of 50 percent response rate required to be analyzed statistically (Mugenda & Mugenda, 2003).

Demographic data of the respondents are thought to be highly important as much as the future discussions of the findings are concerned as well as the authenticity and generalization of the findings. In this section, thus, the background information of the respondents will be provided and this information is deemed essential in discussions in this study including gender, age, level of education, year of service and department. The findings are as indicated in Table 5.

Table 5: Demographic Characteristics

Characteristics		Frequency	Percentage
Gender			
	Male	47	68.1
	Female	22	31.9
Age			
	25-30 Years	6	8.7
	31-34 Years	11	15.9
	35-40 Years	32	46.4
	41-44 Years	10	14.5
	45-50 Years	6	8.7
	Over 50 Years	4	5.8
Education Level			
	Diploma/Certificate	31	44.9
	Bachelor's Degree	32	46.4
	Master's Degree	6	8.7
Experience			
	1-10 years	5	7.2
	10-20 years	32	46.4
	20-30 years	23	33.3
	Over 30 Years	9	13.0
Department			
	Internal Audit & Risk Management	6	8.7
	Corporate Affairs	6	8.7
	Finance and Strategy	5	7.2
	Finance	6	8.7
	Human Resource & Administration	11	15.9
	ICT	5	7.2
	Legal	6	8.7
	Procurement	6	8.7
	Technical	18	26.1

Source: Field Data(2025)

Majority of the respondents were male at 68.1%. Most were aged between 31 and 44 years at 76.8% with majority having a Bachelor's degree level of education. Most had a job experience of between 10-20 years. The technical department had majority of the respondents at 26.1%.

Risk Avoidance

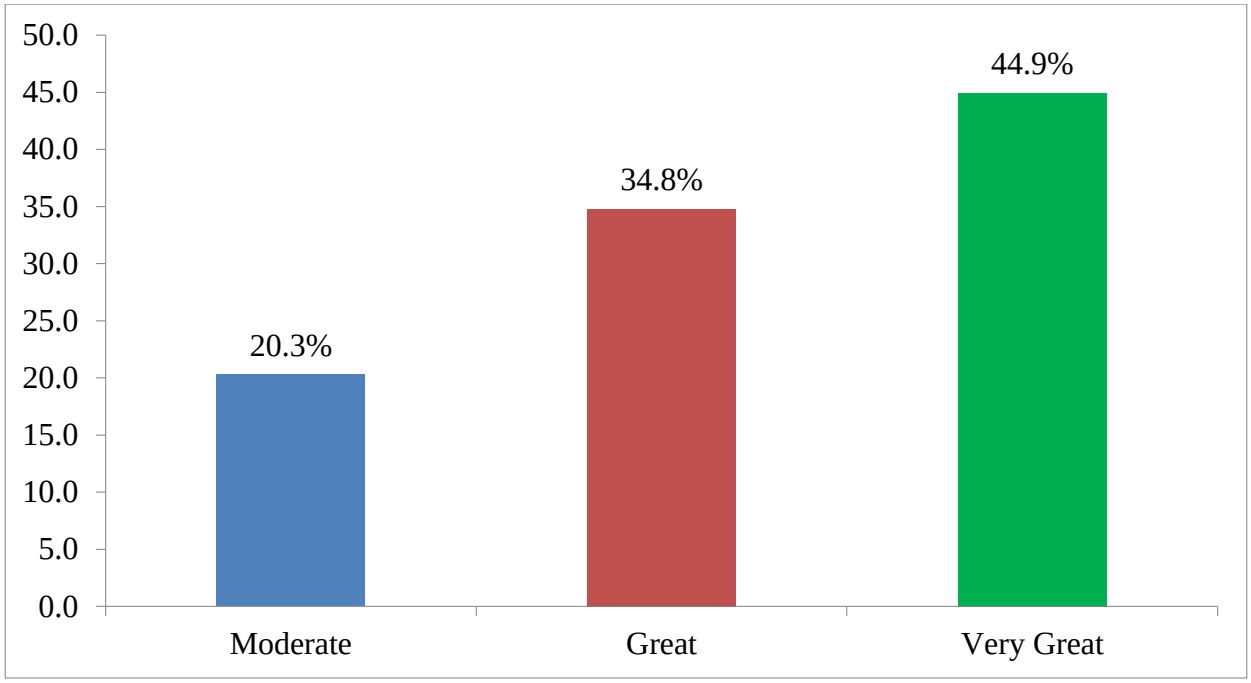
Risk avoidance refers to exploring alternatives in the project, hence, removing the risk that can produce a substantial impact on the performance. A questionnaire of four statements was developed. The respondents were to respond to the level of agreeing to the risk avoidance statements in a liker scale as shown in Table 6 below.

Table 6 Risk Avoidance

Risk Avoidance	1	2	3	4	5	Mean	SD
Having alternative projects	3(4.35)	4(5.8)	6(8.7)	24(34.78)	32(46.38)	4.130	1.083
Well-developed strategies	4(5.8)	4(5.8)	7(10.14)	14(20.29)	40(57.97)	4.188	1.191
Having detailed planning	3(4.35)	4(5.8)	3(4.35)	9(13.04)	50(72.46)	4.434	1.104
Preventive maintenance	2(2.9)	4(5.8)	6(8.7)	15(21.74)	42(60.87)	4.318	1.050

Source: Field Data(2025)

Majority of the respondents agreed or strongly agreed with the four risk avoidance strategies with most (at 85.50%) agreeing and/or strongly agreeing with 'having detailed planning' as a key risk avoidance strategy. A small percentage (11.6%) strongly disagreed and/or disagreed with 'well developed strategies' as a risk avoidance strategy.



Source: Field Data(2025)

Figure 2: Extent of Risk Avoidance on financial performance

Majority of the respondents, 31(44.9%), indicated that risk avoidance affected FP of public corporation in water sector to a very great extent.

Performance of Public Corporations in the Water Sector in Kenya

To determine the FP of public corporations in the water sector in Kenya, each respondent was asked to evaluate his/her corporation's FP with respect to the following four dimensions: Profitability, Leverage, Revenue and Asset ratio. The respondents were required to rate it from 1 (greatly decrease) to 5 (greatly improve). The results are presented in Table 7.

Table 7: Performance

Performance	1	2	3	4	5	Mean	SD
Profitability	0.0	0.0	13(18.84)	39(56.52)	17(24.64)	4.0580	.66164
Leverage	0.0	0.0	13(18.84)	49(71.01)	7(10.14)	3.9130	.53521
Revenue	0.0	0.0	15(21.74)	48(69.57)	6(8.7)	3.8696	.53996
Asset ratio	0.0	0.0	10(14.49)	50(72.46)	9(13.04)	3.9855	.52839

Source: Field Data (2025)

Most of the respondents reported improved FP across all the four performance indicators with Asset ratio scoring the highest at 85.5% for those who reported improvement and/or great improvement and Revenue scoring the least at 78.27%.

Regression Analysis: Risk Avoidance

Since correlation analysis indicated that risk avoidance had positive significant effect on FP, to find coefficient of determination R square, simple linear regression was used, which is the variation in FP that has been accounted for by risk avoidance. The results are as shown in Table 8.

Table 8: Regression results of Risk Avoidance and FP

R	R Square	Adjusted R Square	df	F	Sig.
0.646	0.418	0.409	(1, 68)	48.035	.000b

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	32.139	1	41.8	48.035	.000[b]
	Residual	31.344	68	.856		
	Total	63.482	69			

coefficients

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	2.446	0.223		10.991	.000
Risk avoidance	0.390	0.056	0.646	6.931	.000

Source: Field Data (2025)

The research conducted to investigate the impact of risk avoidance on the financial performance (FP) of Kenya water sector corporations revealed that the correlation coefficient (R) was 0.646 that is a moderate positive correlation. The coefficient of determination (R^2) was 0.418 which implies that the variations in the financial performance could be explained by risk avoidance (approximately 41.8 percent). This means that risk avoidance strategies by the public water firms in Kenya will lead to improvement of financial performance of the firms, which means that there is a strong positive linear relationship between the two variables.

The outcome of the ANOVA showed that the percentage change that had been explained by Risk avoidance had a statistically significant F (1, 68) = 48.035, P<0.005. This meant that the predictor variable (Risk avoidance) and FP were significantly related and rejected the null hypothesis since Risk avoidance affected the performance of water industry public corporations in Kenya significantly.

The intercept of performance is 2.446 which means that the performance will be very high at 2.446 as the influence of Risk avoidance is changed to zero P<0.05. The regression coefficient (B) value of risk avoidance was 0.390 with a t-test of 6.931 and p-value of p<.005 which was unstandardized. This meant that change in the risk avoidance unit would lead to change in FP by 0.583 significantly. The regression model to predict the FP was therefore as follows:

FP = 2.446 +0.390 Risk avoidance

The level of significance of R and R 2 was used to test the research hypotheses; the research hypothesis was to test a hypothesis that had an objective to accept the presence of an effect of the variable on the performance. According to the results, the effect of risk avoidance on performance was strong and positive with P less than 0.05 and it significantly influenced 41.8 percent of the variation in the performance of the public corporations in Kenya in the water industry in Kenya. Consequently, the null hypothesis is dismissed since risk avoidance has a significant relation to the performance of the water industry of the Kenya based public corporations.

These results were in agreement to other researches; Darnall and Preston (2010) who argued that implementation of familiar and well developed strategies would lead to risk avoidance that leads to performance improvement. Additionally, Cooper et al. (2005) enumerated certain activities that could prevent the possible risks as; more detailed planning, alternative approach, protection and safety systems, operation reviews, regular inspection, training and improvement of skills, permits to work, changing of procedures, as well as preventive maintenance. The findings of this research indicated that performance of organization would grow significantly when having detailed plan (72.46%).

Conclusion

On the basis of the hypothesis, the results indicated that the risk avoidance has significant effect on the performance of public corporation in water sector in Kenya. Risk avoidance was employed by the public corporations in the water sector through the form of well-developed projects, detailed planning and preventive maintenance.

Recommendations

The following recommendations were made based on the conclusion of the study:

On the risk avoidance, organization should have well developed strategies with detailed planning and preventive measures at level of the organization. This would ensure risks are avoided at early stage of projects thereby avoiding their occurrence. Similarly, fund and organization support should exist to ensure alternative projects are in the offing.

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