EFFECT OF PROJECT RISK MANAGEMENT ON THE PERFORMANCE OF ALTERNATIVE CHANNELS IN THE BANKING INDUSTRY IN KENYA

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Abstract: The study intended to investigate the relationship between project risk management and the performance of alternative delivery channels in the banking industry. The study focused specifically on the effect of project appraisal management, project risk response management, project market risk management and project risk control on the performance of alternative banking channels. The study was anchored on the measurement theory of performance, contingency theory, stakeholder theory and systems theory. This study adopted a descriptive survey design. The target population for this study included key informants in all the 39 commercial banks. The study adopted a census survey technique with respect to the unit of analysis which is the commercial banks in Kenya. Primary data was gathered by use of structured questionnaires. The study collected data using drop and pick method. Data gathered from the questionnaires was analyzed quantitatively using statistical package for social sciences (SPSS version 20) computer software. SPSS which generate both descriptive and inferential statistics was employed. The results of correlation and regression analysis also showed that project appraisal management, project risk response management, project market risk management and project risk control had a strong positive and significant relationship on the performance of alternative banking channels in commercial banks in Kenya. The study concluded that the performance of alternative banking channels heavily relied on ability of commercial banks to manage all risks arising from implementation. Based on the findings of the study, the study recommended that management or project team of all the commercial banks should frequently carry out consistent process of reviewing and evaluating the contents of the alternative banking channels to enhance management of all risks arising from implementation.

Keywords: Alternative, Banking Response, Channels, Delivery, Management, Project, Risk.

I. INTRODUCTION

The United Kingdom (UK) has witnessed the entry of a number of non-banks into the financial services industry including retailers such as Marks & Spencer, Tesco, Sainsbury's, Virgin, and Easy group from the mid-1990s through the issuance of a myriad of alternative delivery channels including credit cards and bank accounts, but only in collaboration with regular banks (Worthington & Welch, 2011). However, these non-banks are increasingly showing interest in going into banking service provision on their own especially following the 2008 global financial crisis which presented hitherto unforeseen opportunities in retail banking that has seen the setting up of banking arms of these large retailers and led to the emergence of products such as Virgin Money (Worthington & Welch, 2011). The impact of the 2008 global financial crisis has also led to a new wave of financial innovation in UK financial services including the introduction of new currencies such as Bitcoins and Brixton pound; and new payment mechanisms such as contactless cards; additionally, peer-to-peer (P2P) lending platforms have emerged which involve the use of websites by borrowers to solicit funds from

investors such that the platforms act as brokers between borrowers and lenders (Bholat & Atz, 2016). According to Ninsiima (2011), there is a significant positive relationship between e-banking and service quality in the Ugandan banking industry as evidenced by more competitive costs, better customer service, flexibility, and convenience of services in comparison to conventional banking channels. Nonetheless, Mwesigwa (2010) maintains that the rate of internet adoption in the Ugandan banking industry is dependent on the consumer attitudes such that negative experiences may tend to influence the adoption adversely and vice versa for positive experiences; additionally, the newer generation of Ugandans are less inclined to face-to-face interactions which makes them have higher levels of internet adoption than their older counterparts.

The growth rate of mobile telephony usage in Uganda in comparison with the bank usage (26% coverage against 16%, respectively as at 2010) has been the primary driver of the adoption of mobile banking and ensured financial service delivery to the under-served and unserved segments of the population (Ssonko, 2010). Whilst the general impression of alternative delivery channels in the Ugandan banking sector has been a positive one, Kamukama and Tumwine (2012) posit that the greater penetration of mobile money services has had an adverse effect on the liquidity base of commercial banks given that many of their current and potential clients are migrating to cheaper non-banking options of accessing financial services. As a developing nation, Tanzania faces cost constraints in building conventional banking facilities, but unfortunately, the Internet banking option is also challenging to set up owing to the fact that the country lacks reliable distributed computer networks which has left the majority of the population underbanked (banking penetration was 17% of the adult population as at 2013) (Masamila, 2014). This has left mobile banking as the only viable alternative delivery channel worth pursuing given that mobile phone penetration was 58% with over 27 million subscribers as at 2013 (Masamila, 2014). According to King'ang'ai, Kigabo, Kihonge and Kibachia (2016), since the introduction of agency banking in Rwanda in 2012, access to financial services has improved appreciably since it has led to a reduction in the cost of access through the use of third party retail networks such as pharmacies, supermarkets and convenience stores who are in closer proximity to the customers than conventional banks. Electronic banking tools prevalent in the Rwanda banking industry include ATMs, Pay Direct, debit cards, mobile banking, and E electronic check payment; all of which have contributed to improving financial service delivery and increased profitability, improved bank management quality, increased bank assets and promoted bank growth (Ngango, Mbabazize & Shukla, 2015).

According to Omondi, Maokomba and Musiega (2014), Kenyan commercial banks have become increasingly fervent about establishing competitiveness by employing technological innovations including the use of wireless and mobile connectivity to provide money transfer services within their service offering such as through Safaricom's M-Pesa which have enabled customers to access banking services at a cost-effective manner by leveraging on a deeper mobile penetration than banks. Mbura (2014) posits that although the convenience related benefits offered by alternative delivery channels in the Kenyan banking industry are well founded, the lack of physical interaction between the customers and the banks present a number of compliance issues that necessitate rigorous management in order to minimise operational risks. Ocharo and Muturi (2016) point to the lack of adequate financial efficacy of the use of alternative delivery channels for commercial banks in Kenya given the increasingly costly demands placed by customers on the quality and number of delivery channels on offer which has led to the employment of illegal techniques such as the adjustment of interest rates beyond limits established by CBK. Key amongst the critical developments in the Kenyan banking industry was the Agency Banking Act of 2010 which paved the way for banks to offer services through third party agents by tapping into the wireless communication technology and boosting the appeal of mobile banking as the preferred medium (Mulwa & Waema, 2016). In order to properly establish agency banking in Kenya, the CBK applied the knowledge exchange programme in collaboration with the Alliance for Financial Inclusion (AFI) which enabled banks to begin partnerships with non-bank based models (Wawira, 2011).

According to Njuguna, Ritho, Olweny and Wanderi (2012), despite high levels of internet usage, the adoption and use of internet banking in Kenya is still very low; moreover, the few that are using it tend to be the younger generation who cite perceived usefulness, perceived ease of use, perceived self-efficacy, perceived compatibility, perceived relative advantage and perceived results demonstrability as the key factors that influence this phenomenon. This is supported by Magutu, Mwangi, Nyaoga, Ondimu, Kagu, Mutai, Kilonzo and Nthenya (2011) who affirm that the majority of Kenyan banking customers lack adequate access to information technology infrastructure, knowledge and skills to properly exploit internet banking services. The performance of the alternative delivery channels that have been identified up to this point involve a

number of unknowns which heighten the level of risk involved especially since most of them are instituted in the form of projects. According to PMI (2013), project risk management involves crucial risk management processes including planning, identification, analysis, response planning, and controlling the risk. Bhamik (2016) posits that the effect of risk on investment is a very crucial concern for project managers because heightened risk compels investors to demand a higher return which affects the cost of a given project especially those with a shorter lifespan. The adoption of project risk management in the banking sector in recent times has been occasioned by the incorporation of new information technology which has witnessed a transformation of the core banking software used by many commercial banks and introduced hitherto unknown risks (Otieno, 2014). In recognition of this, the Central Bank of Kenya (2013) prescribes a number of critical elements of a sound project risk management system including: an active board and senior management oversight; adequate policies, procedures, and limits; adequate risk monitoring and management information systems (MIS); and adequate internal controls.

These elements are in keeping with the dictates of the Bank for International Settlements (2012) which makes a detailed exposition of the core principles of effective banking supervision aimed at ensuring that central banks all over the world are provide an enabling environment for commercial banks by effectively developing, implementing, monitoring and enforcing supervisory policies. According to Hoseininassab, Yavari, Mehregan and Khoshsima (2013), effective project risk management ensures the optimal performance for banks since provides a mechanism for these institutions to improve their planning and analysis of the principles sources of risk including credit risk, operational risk, liquidity risk, and market risk. However, Clara-Iulia (2014) emphasizes a number of important caveats in the implementation of project risk management in banking including: the fact that the risks are not as visible and tangible as income or costs which has an adverse effect on the efficacy of the measures of risk; it is difficult to develop an effective risk management culture; the poor collection of receivables continues to undermine risk management; and banks continue to grapple with the development of innovative and effective risk models; amongst many others. Despite the heavy investments in alternative banking channels by commercial banks in Kenya, revenue attributed to such alternative banking remain very low. Ndungu (2015) established that only 14.1% of the total variance in the performance of commercial banks in Kenya can be attributed to alternative banking channels. The intention of using alternative banking channels was to reduce operational costs and maximize on profitability (Ocharo, & Muturi, 2016). However, commercial banks in Kenya continue to perform poorly as shown by significant drop in profits.

Ibrahim (2015) found that while there are over 38 million mobile users in Kenya, the mobile banking users are only about 15 million which further confirm the performance of alternative banking channels is still low in Kenya. Bank customers have become increasingly demanding, as they require high quality, low priced and immediate service delivery which can be achieved through use of alternative banking channels. Studies conducted in this area include Ndungu (2015) focused on the effect of alternative banking channels on financial performance of commercial banks in Kenya and findings revealed that there was significant correlation of 0.81 between alternative banking and study established that the rate at which mobile banking was used declined since 2012. Ocharo and Muturi (2010) on the other, focused on the effect of alternative banking channels on profitability of commercial banks. The study also established revealed that there was significant correlation of 0.81 between alternative banking and the financial performance of the banking industry. This study sought to address a number of deficiencies in the literature on performance of alternative delivery channel realm. Firstly, most of the research done has focused on specific alternative banking channels (Kamukama & Tumwine, 2012; Lauer, Dias & Tarazi, 2011) rather than giving a holistic perspective. Secondly, most of the literature on risk management in banking (Kimathi *et al.*, 2015; Gakure, Ngugi, Ndwiga & Waithaka, 2012; Maina, Alala, Wabwile & Douglas, 2014; and Mutua, 2015) only focused on the effect of risk management on performance without linking it to the implementation of alternative banking channels which is the primary objective of this study.

II. METHODOLOGY

This study adopted a descriptive survey design. Upagade and Shende (2013) aver that a descriptive survey is mainly concerned with only explaining the facts of a phenomenon. It is a self-report that requires the collection of equitable information from sample (Orodho, 2005). Descriptive survey was appropriate for this study since it intends to find out what people currently believe in, what they are doing at the moment and so forth (Hashim, 2013). The design was considered suitable as it allows for an in-depth study of the effects of project risk management on the performance of

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alternative banking channels. The target population for this study included key informants in all the 39 commercial banks. The sampling frame of the study was a list of key informants which was obtained from Central Bank of Kenya. The use of key informants was justified on the basis that all of them are involved in project risk management and are hence capable of responding to the questionnaire. The study adopted a census survey technique with respect to the unit of analysis which is the commercial banks in Kenya. This therefore ruled out application of specific sampling design and sampling technique. The study used a census since the population of 43 was small and the study aimed to reach all the key informants in all commercial banks in Kenya. Population Census is unique in that it provides the possibility of examining small and special population groups, and acquiring information on small geographic units. The census approach is justified since according to Orodho (2009), data gathered using census contributes towards gathering of unbiased data representing all individuals' opinions in the study population on a study problem. The sample size for this study comprised two key informants in all 39 commercial banks. According to the CBK (2016), there are 43 commercial banks as at 31st December 2016 in the banking sector in Kenya. However, only thirty nine (39) commercial banks were included in the study due to the fact that 4 of the banks are under statutory management and have restricted the availability of credible data. The unit of analysis in this study was commercial banks in Kenya while the unit of observation was employees of the commercial banks.

The total sample size for this was 78 respondents. The study used primary data collected using a questionnaire. The questionnaires were structured with fixed set of choices closed questions and unstructured not limiting responses but to provide a frame of reference for respondents to open ended questions. Likert scale with close-ended questions guide was distributed to respondents, after approval to collect data from the management of the university administration. The questionnaire comprised of six sections; section A covered demographic characteristics of the respondents, section B to E were based on each independent variable while section F covered the dependent variable. The study collected data using drop and pick method. Questionnaires were dropped and picked later to enable the respondents have enough time to respond to the questionnaires. This enhanced reliability. A pilot study was undertaken on 10% of the sample population which was not included in the final research. Ong (2012) argue that the respondents in a pilot test do not have to be statistically selected.

A 5-10% of the population is sufficient for a pilot. The pilot study was conducted on employees working in other departments that did not participate in the final study. Pilot study therefore, was conducted to detect the weakness in design and instrumentation, and to provide accurate data for sample selection (Mathiyazhagan & Nandan, 2010). The research instruments were subjected to overall reliability analysis of internal consistency. This was measured using Cronbach's alpha as a coefficient of internal consistency. The reliability of the study measures were assessed by computing Cronbach's Alpha coefficient for all items in the questionnaire and the overall assessment was given (Sekaran & Bougie, 2010). A Cronbach's alpha coefficient of 0.7 will be used as a threshold. For construct validity, the questionnaire was divided into several sections to ensure that each section assesses information for a specific objective, and also ensures that the same closely ties to the conceptual framework for this study. To ensure content validity, the questionnaire was subjected to thorough examination by two randomly selected procurement experts. They were asked to evaluate the statements in the questionnaire for relevance and whether they are meaningful, clear and loaded off offensive. On the basis of the evaluation, the instrument was adjusted appropriately before subjecting it to the final data collection exercise. Their reviewed comments were used to ensure that content validity is enhanced. Burns and grove (2010) define data analysis as a mechanism for reducing and organizing data to produce findings that require interpretation by the researcher.

Data gathered from the questionnaires was analyzed quantitatively using statistical package for social sciences (SPSS version 20) computer software. SPSS which generate both descriptive and inferential statistics were employed. Descriptive statistics including the mean and standard deviation were used to capture the characteristics of the variables under study. Inferential statistics; regression coefficient and bivariate correlation were used to analyze the relationship of the dependent variable and the independent variables. The regression model helped in determination of coefficients of the independent in relation to the dependent variable. The study used tables and charts to present output from data analysis. The multivariate model was as follows;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \boldsymbol{\varepsilon}$$

Where;

Y = Performance of Alternative Banking Channels

X_1 = Project Appraisal Management

X_2 = Project Risk Response Management

X_3 = Project Market Risk Management

X_4 = Project Risk Control

In the model, $\beta 0$ is the constant term while the coefficient $\beta_i i = 1 \ldots 4$ were used to measure the sensitivity of the dependent variable (Y) to unit change in the predictor variables. ε was the error term which captured the unexplained variations in the model.

III. FINDINGS

A total of 78 questionnaires were administered to selected key informants in commercial banks in Kenya out of which 69 were successfully filled and returned. This constituted 88.46% response rate. According to Mugenda and Mugenda (2003), a response rate of more than 50% is adequate for analysis. The high response rate of 88.46% could be attributed to the personal efforts of the researcher in administering the questionnaires and a close follow up with the respondents. Descriptive findings were used to establish the mean and standard deviation of the responses on the Likert scales used in the study. A scale of 1 to 5 was used in the study.

The study used a correlation analysis to establish the association among the variables used in the study. A Pearson correlation was used since the data was discrete. Correlation indicates the direction in one variable if another variable changes. A negative Pearson correlation value indicates negative correlation while a positive Pearson correlation value indicates a positive correlation. The strength of the association increases as the value approaches either negative 1 or positive 1. The correlation findings are presented in Table 1. The study used correlation analysis to test the relationship between project appraisal management and performance of alternative banking channels among commercial banks in Kenya. The results findings in table 1 showed that project appraisal management had a strong positive and significant relationship with performance of alternative banking channels in commercial banks in Kenya. The value of Pearson correlation was r=0.720 with a p=0.000 which was significant at 0.05 significance level. The findings implied that an increase in project appraisal management would lead to an increase in the performance of alternative banking channels in commercial banks in Kenya. According to Nzivo (2016), project appraisal plays a significant role on the performance of financial institutions in Kenya particularly given the fact that it determines the viability of projects. Indeed, an assessment of the recent collapses of local banking institutions as a result of widespread insider lending to highly connected individuals, points to a lack of effective project appraisal of the financial viability, technical aspects, market availability or even quality of managerial skills available.

Table 1: PEARSON CORRELATION MATRIX

		Project Appraisal Management	Project Risk Response Management	Project Market Risk Management	Project Risk Control Management
Project Appraisal Management	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	69			
Project Risk Response Management	Pearson Correlation	0.223	1		
	Sig. (2-tailed)	0.000			
	N	69	69		
Project Market Risk Management	Pearson Correlation	0.127	0.343	1	
	Sig. (2-tailed)	0.000	0.000		
	N	69	69	69	

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Project Risk Control Management	Pearson Correlation	0.254	0.275	0.383	1
	Sig. (2-tailed)	0.000	0.000	0.000	
	N	69	69	69	69
Alternative Banking Channels Performance	Pearson Correlation	0.720	0.642	0.650	0.755
	Sig. (2-tailed)	0.000	0.000	0.000	0.000
	N	**69**	**69**	**69**	**69**

The results findings also showed that project risk response management had a strong positive and significant relationship with performance of alternative banking channels in commercial banks in Kenya as shown by Pearson correlation of r=0.642 with a p=0.000 which was significant at 0.05 significance level. The findings also implied that an increase in project risk response management would lead to an increase in the performance of alternative banking channels in commercial banks in Kenya. In a different study, Thuranira (2012) found that commercial banks in Kenya employed different risk response strategies ranging from retrenchment – these included cutting operating costs and closing establishments; investment strategies – these included innovation, expansion into new markets, and refocussing the business; and ambidextrous strategies including: competitive reward and remuneration to attract and retain highly skilled labour; improving the quality of the products; enhancing the efficiency and reliability of the products; adopting more modern technology; diversifying into other products; increasing the number of outlets or branches; and forming strategic alliances. The correlation results further revealed that project market risk management had a strong positive and significant relationship with performance of alternative banking channels in commercial banks in Kenya as shown by Pearson correlation of r=0.642 with a p=0.000 which was significant at 0.05 significance level. The finding implied that increasing project market risk management would lead to positive increase in performance of alternative banking channels in commercial banks in Kenya. Milanova (2010) also posited that market risk arises from both changes in the market and the extent of risk taking by the market participants.

Finally the results findings in table1 showed that project risk control management had a strong positive and significant relationship with performance of alternative banking channels in commercial banks in Kenya. The value of Pearson correlation was r=0.755 with a p=0.000 which was significant at 0.05 significance level. The findings implied that an increase in project risk control management would lead to an increase in the performance of alternative banking channels in commercial banks in Kenya. Similarly, Goyal and Agrawal (2010) found that banks which are exposed to a number of risks such as credit risk, market risk, operational risk and strategic risk have a number of tools at their disposal for risk control including diversification of the business, insurance and hedging, fixation of exposure ceiling, transfer of risk to another party, securitisation and reconstruction. Multiple Linear Regression model was adopted to further test the nature of relationship between independent variables and dependent. According to Kothari (2014), regression is the determination of a statistical relationship between two or more variables. In simple regression, there are two variables, one variable (defined as independent) is the cause of the behavior of another one (defined as dependent variable). When there are two or more than two independent variables, the analysis concerning relationship is known as multiple regression and the equation describing such relationship as the multiple regression equation.

Kothari (2014) described ANOVA as a procedure for testing the difference among different groups of data for homogeneity. The essence of ANOVA is that the total amount of variation in a set of data is broken down into two types, that amount which can be attributed to chance and that amount which can be attributed to specified causes while F- test was also used in the context of the analysis of variance (ANOVA) for judging the significance of multiple correlation coefficients. The result showed that project risk control management, project appraisal management, project risk response management and project market risk management had a significant influence on performance of alternative banking channels in commercial banks in Kenya (R=0.813). The results further revealed that project risk control management, project appraisal management, project risk response management and project market risk management jointly accounted for 66.1% of the variation in performance of alternative banking channels of commercial banks in Kenya. The results of ANOVA in table 3 indicate that project risk control management, project appraisal management, project risk response management and project market risk management were significant predictor variables of performance of alternative banking channels of commercial banks in Kenya. This was indicated by the F-statistics results (F=31.260, p=0.000) indicating that the model used to link the independent variables and dependent variable was statistically significant.

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Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.813	0.661	0.640	4.10566
a. Predictors: (Constant), Project Risk Control Management, Project Appraisal Management, Project Risk Response Management, Project Market Risk Management				

The coefficient of project appraisal management was at (β=3.574, p=0.000, <0.05) showed a statistically significant relationship between project appraisal management and performance of alternative banking channels of commercial banks in Kenya. Hence the study findings concluded that project appraisal management significantly affects performance of alternative banking channels of commercial banks in Kenya. The regression coefficient of 3.574 obtained in this case implies that a unit increase of the project appraisal management would lead to 3.574 unit increase in performance of alternative banking channels of commercial banks in Kenya. These findings concur with those of Nzivo (2016) who found that project appraisal plays a significant role in the performance of financial institutions in Kenya particularly given the fact that it determines the viability of projects.

Table 3: ANOVA Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2107.751	4	526.938	31.260	0.000
	Residual	1078.811	64	16.856		
	Total	3186.562	68			
a. Dependent Variable: performance						
b. Predictors: (Constant), Project Risk Control Management, Project Appraisal Management, Project Risk Response Management, Project Market Risk Management						

The findings further revealed that coefficient of project risk response management was at (β=0.808, p=0.000, <0.05) showed a statistically significant relationship between project risk response management and performance of alternative banking channels of commercial banks in Kenya. Hence the study findings concluded that project risk response management significantly affects performance of alternative banking channels of commercial banks in Kenya. Therefore a unit increase of the project risk response management would lead to 0.808 units increase in performance of alternative banking channels of commercial banks in Kenya. Similarly, Thuranira (2012) found that commercial banks in Kenya employed different risk response strategies to manage risk arising from adoption of various projects. The findings presented in table 4 further show that the coefficient of project market risk management was (β=0.451, p=0.001, <0.05) revealing a statistically significant relationship between project market risk management and performance of alternative banking channels of commercial banks in Kenya. Milanova (2010) also posited that market risk arises from both changes in the market and the extent of risk taking by the market participants.

Finally, the findings further revealed that coefficient of project risk control management was at (β=4.318, p=0.000, <0.05) showed a statistically significant relationship between project risk control management and performance of alternative banking channels of commercial banks in Kenya. Therefore study findings concluded that project risk control management significantly affects performance of alternative banking channels of commercial banks in Kenya. Similarly, Goyal and Agrawal (2010) found that banks which are exposed to a number of risks such as credit risk, market risk, operational risk and strategic risk have a number of tools at their disposal for risk control including diversification of the business, insurance and hedging, fixation of exposure ceiling, transfer of risk to another party, securitisation and reconstruction.

Table 4: Regression Coefficient

	B	Std. Error	t	Sig.
Constant	6.713	2.539	2.644	0.010
Project Appraisal Management	3.574	0.949	3.764	0.000
Project Risk Response Management	0.808	0.107	7.535	0.000
Project Market Risk Management	0.451	0.124	3.638	0.001
Project Risk Control Management	4.318	1.000	4.319	0.000

Table 4 shows the beta coefficients of the multiple regression model of the study. The values of the constant and coefficients enabled the generation of the multiple regression model as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

$$Y = 6.713 + 4.318 X_1 + 3.574 X_2 + 0.808 X_3 + 0.451 X_4 + 2.539$$

IV. DISCUSSIONS

The study focused specifically on effect of project appraisal management, project risk response management, project market risk management, project risk control on the performance of alternative banking channels. The study was anchored on the measurement theory of performance, contingency theory, stakeholder theory and systems theory. This study adopted a descriptive survey design. The target population for this study was 39 commercial banks. The study adopted a census survey technique with respect to the unit of analysis which is the commercial banks in Kenya. Primary data was gathered by use of structured questionnaires. The study collected data using drop and pick method. Data gathered from the questionnaires was analyzed quantitatively using statistical package for social sciences (SPSS version 20) computer software. SPSS which generate both descriptive and inferential statistics were employed. Descriptive statistics including the mean and standard deviation were used to capture the characteristics of the variables under study. The first objective of this study was to establish the effect of project appraisal management on performance of alternative banking channels.

The descriptive results implied that majority of the respondents agreed that commercial banks in Kenya that had invested in alternative banking channels conducted project appraisal measures to evaluate the performance. The correlation results showed that project appraisal management had a strong positive and significant association with performance of alternative banking channels in commercial banks in Kenya. Similarly, regression analysis showed a statistically significant relationship between project appraisal management and performance of alternative banking channels of commercial banks in Kenya. The second objective of the study was to investigate the effect of project risk response management on the performance of alternative banking channels. The descriptive findings revealed that commercial banks in Kenya had structures and experts that responded to the risk arising from the adoption of alternative banking channels. Similarly, the results of correlation and regression analysis also showed that project risk response management had a strong positive and significant relationship with performance of alternative banking channels in commercial banks in Kenya.

The study also sought to investigate the effect of project market risk management on the performance of alternative banking channels. The statements used to measure project market risk management had mean of above 3.5 which showed that majority of the respondents agreed and strongly agreed that project market risk management influenced the performance of alternative banking channels. The study findings implied that commercial banks in Kenya carried out market risk management in regard to the performance of alternative banking channels. The correlation and regression analysis results further revealed that project market risk management had a strong positive and significant relationship with performance of alternative banking channels in commercial banks in Kenya. The study finally sought to investigate the effect of project risk control measures on the performance of alternative banking channels. The study established that all the statements used to measure project risk control measures had mean of above 3.5 which showed that majority of the respondents agreed and strongly agreed that project risk control measures influences the performance of alternative banking channels. To further confirm this relationship the study used correlation and regression analysis. The correlation and regression analysis results further revealed that project risk control measures had a strong positive and significant relationship with performance of alternative banking channels in commercial banks in Kenya.

V. CONCLUSIONS

Based on the findings, the study concluded that banks that conduct performance appraisal for all alternative banking channels and those that invest in monitoring and evaluation for all alternative banking channels enhance the performance of these alternative banking channels. Such banks are also able to consistently review and evaluate the contents of a service delivery channel so as to either approve or reject the project. The study further concluded that commercial banks that are able to put in place risk mitigation measures to manage risk arising from alternative banking channels; carry out risk analysis before launching their projects and finally compose a team to respond to all risk arising from new projects achieve better performance. The study also concluded that performance of alternative banking channels heavily rely on

ability of commercial banks to manage market risks. Therefore, commercial banks that effectively manage their market risk arising from adoption of alternative banking channels are likely to realise better performance. The study finally concluded that bank with risk control mechanisms to manage risk arising from alternative banking channels perform better than those without such mechanism.

VI. RECOMMENDATION AND SUGGESTIONS

This section provides the recommendations the study made based on the study findings. Recommendations were done based on the findings of the research objectives. Based on the findings of the study, the study established that not all the commercial banks frequently carry out consistent process of reviewing and evaluating the contents of the alternative banking channels so as to either approve or reject the project. The study therefore recommended that management or project team of all the commercial banks should frequently carry out consistent process of reviewing and evaluating the contents of the alternative banking channels to enhance performance. The study established from the results that not all the commercial bank had a team that is professional is risk management arising from new projects. The study therefore recommended that commercial banks in Kenya should hire professionals in risk management when adoption alternative banking channels. The team will be up to the task of managing all risk arising from these projects. The study established that credit risk posed the highest market risk to the performance of alternative banking channels. The study recommended that banks in Kenya should come up with adequate measures to address credit risk and other market risk to ensure high performance of alternative banking channels. The study further recommended that banks should allocate a budget to address the market risks that pose a threat to the performance of alternative banking channels.

The results for this study revealed that some commercial banks had no system for evaluating risk processes. The study recommended that commercial banks should invest in modern systems for ensure effective risk evaluation process. The study further recommended that all the commercial banks should ensure that all the risk control measures are up to date to ensure efficient risk control. The banking sector is experiencing a change as more and more commercial banks continuous to adopt new ways of banking while abandoning old and traditional banking methods. Therefore this study suggests that further studies should focus on the challenges and strategies of implementing alternative banking channels since this area is new and has not received adequate research.

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