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RISK FINANCING STRATEGIES AND PROJECT SUCCESS ENHANCEMENT AMONG BUILDING CONTRACTORS IN NIGERIA

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Abstract

The construction industry is widely regarded as one of the most risk-prone sectors due to complex activities, multiple stakeholders, and long project lifecycles. In Nigeria, particularly Lagos State, recurrent building collapses have intensified concerns about the effectiveness of risk management and financing practices. This study examines the effect of risk financing strategies on project success among building contractors in Lagos State, focusing on risk transfer (insurance adoption) and risk retention mechanisms. Using a descriptive survey design, data were collected from 170 respondents comprising registered building contractors and heads of property insurance departments of non-life insurance firms. Structured questionnaires measured key variables on a five-point Likert scale, and multiple regression analysis was employed with firm characteristics as controls. The findings show that both risk transfer and risk retention strategies are positively associated with project success, although their effects are statistically insignificant. This suggests that regulatory enforcement, contractor capacity, experience, and operational conditions may play a more decisive role in project outcomes. The study highlights the need for integrated risk management frameworks that combine financial, operational, and regulatory measures to enhance construction project success in emerging economies.

Keywords: Risk Financing, Risk transfer, Risk Retention, Project Success, Building Contractors, Lagos State.

INTRODUCTION

The construction industry is universally known to be one of the most risk-prone areas because of intricacy of operations, involvement of several parties as well as the lengthy nature of the project cycles. Building collapses are a frequent and a tragic occurrence in Nigeria and especially in Lagos State, which are raising questions on the suitability of risk management measures (Akinradewo et al., 2020). The collapse of the building does not only cause serious human and material losses but also it affects the confidence of people in the construction industry and causes danger to the development of the city in the long term (Ayodele and Alabi, 2021). It has always been observed by scholars that the success of risk management is highly dependent on the strategies of contractors to meet the contingent losses that may be incurred due to the occurrence of unforeseen events (Boateng et al., 2021). This highlights the importance of questioning the role of risk financing measures in alleviating the negative consequences of the construction risks in the Lagos State which includes risk transfer by means of insurance and risk retention measures.

The initial goal of the research is to investigate how risk transfer strategies affect the success of projects by building contractors in Lagos State. Risk transfer is also applied as a means to distribute the financial impact of possible losses to third parties, which in most cases is by insurance or sub contract (Abdulkadir et al., 2022). Construction insurance has become an important mechanism of protecting contractors in developed economies against liability caused by accidents, loss of materials or delays in projects (Laryea and Hughes, 2020). Nevertheless,

regardless of the Insurance Act of 2003, which had made it mandatory to insure two-story and above buildings in Nigeria, few ones are insured, and numerous construction works are undertaken without insurance (Adeleke et al., 2021). A review of how well the risk transfer mechanisms result in successful project completion, in the measure of cost effectiveness, on time completion, and structural soundness, can be useful in resolving the long-standing problem of building collapse in Lagos State.

The second aim is to examine the effect of risk retention measures on the success of projects by the building contractors in the Lagos State. Risk retention is the situation when contractors themselves absorb the risks instead of transferring them, driven usually by limited availability of the insurance markets or by cost-saving reasons (Hwang et al., 2021). As this model enables the contractor to retain some level of control and flexibility, it puts the contractor at risk of financial strains in case of extreme project risks like structural failure, cost increases, or lawsuits (Kavishe et al., 2022). Risk in Nigeria, where most of the contractors are small and medium-sized enterprises and have limited capital. retention may exacerbate vulnerability to project failure (Olanipekun et al., 2021). Understanding how retained risks influence construction outcomes is crucial for formulating interventions that balance financial sustainability with project success.

Another rationale for focusing on Lagos State is its position as the epicenter of urbanization and construction activities in Nigeria. The city accounts for over 60 percent of reported building collapses nationwide, reflecting both the scale of construction activity and the gaps in regulatory enforcement (Adewuyi & Odesola, 2020). Recent incidents, such as the collapse of a 21-storey building in Ikoyi in 2021, highlight systemic issues of poor compliance with risk financing provisions and inadequate oversight (Olalusi et al., 2022). Given this backdrop, evaluating contractors' financing strategies provides not only an academic contribution to construction risk management literature but also practical implications for policymakers, regulators, and industry stakeholders.

This study is anchored in risk management theory, which posits that effective identification, allocation, and financing of risks enhance the likelihood of achieving project objectives in scope, time, and cost (Han et al., 2021). By disaggregating risk financing into transfer and retention strategies, the study advances knowledge on how these mechanisms influence construction project performance in high-risk environments. Moreover, it responds to recent calls for empirical research on construction risk financing in developing economies, where institutional capacity, insurance penetration, and contractor awareness remain weak (Hwang & Leong, 2022).

In sum, the study aims to evaluate the significant effect of risk financing strategies on project success among building contractors in Lagos State. Specifically, it examines the influence of risk transfer and risk retention strategies on construction outcomes. The findings are expected to provide actionable insights into improving compliance with compulsory insurance laws, strengthening contractors' risk management capacities, and ultimately reducing the prevalence of building collapses in Lagos State.

LITERATURE REVIEW

This empirical review provides information about recurrent themes of the literature, such as (1) patterns and causes of building failure and financial impacts on contractors and third parties, (2) the role and efficacy of risk transfer instruments, (3) patterns and drivers of risk retention among contractors, (4) relationship between financing options and project performance outcomes, (5)

institutional and regulatory impacts on insurance adoption and enforcement, and (6) emerging innovations and gaps in the literature. Empirical surveys that measure the human and economic impact of construction accidents and building failure can help emphasize the extent of the issue and encourage the desire to fund the arrangements. South Korean and other studies based on claim-level and insurer-data provide rigorous estimates of third-party payouts and the distributional nature of losses (frequency, severity, and drivers) and reveal that third-party losses represent a significant part of construction risk that is frequently understated in project budgets (Kim et al., 2020). Empirical surveys and systematic reviews at the national and city levels ensure that megacities in developing countries are characterized by a disproportionate number of building collapses, and that their reasons are multifactorial (Emekoma et al., 2023).

Within the realities of the Nigerian setting, different scholars have presented proximate and systemic causes of building collapse. Oloyede (2015) has cited negligence in soil investigation, lack of proper monitoring, use of poor materials, and poor workmanship as major causes of failures. Madu (2015) also clearly pointed to natural hazards like earthquakes, floods, and tornadoes though he pointed more to human factors such as lack of structural drawings, inadequate supervision, change of approved plans, and corruption in regulatory systems. Adebayo (2016) believed that quality workmanship is based on efficiency in skill and experience whereas Ayinuola (2014) extended the blame to the clients, contractors, architects, engineers and local planning authorities. Tyagler (2017) highlighted design and building shortcomings, and Upata (2016) followed the chain of failures to safe practices in construction, starting with clients and ending with the final consumers. Adebayo (2016) argued that incidences would be minimized in case clients always insisted on high-quality materials and professional services. Taken together, these investigations indicate that structural and behavioural inadequacies are intertwined to provide an explanation of recurrent collapses.

A second empirical literature assesses the prevalence, structure and the claim dynamics of risk transfer instruments, mostly Contractors All-Risk (CAR) policies and project insurance variants, like Integrated Project Insurance (IPI). Claims-data claim-mapping work reveals that CAR is applied to a combination of the accidental physical losses and the third-party liability; however, experience of claims is found to be heterogeneous across projects and quality of governance; projects with discontinuous supply chains have higher bankruptcy rates (Australasian Journal of Construction Economics and Building, 2024). The UK evidence of the IPI pilot has shown lower adversarial claims and transaction cost with the implementation of the collaborative procurement models but the evidence base is weak to date (Marsh, 2022). In Saudi Arabia, Korean or Indonesian field surveys also show that even though contractors understand the beneficial impact of protective measures of CAR and professional indemnity policies, they are worried about their cost and exclusions (Kim et al., 2020; Alotaibi et al., 2023).

The explanations of why contractors do not transfer the risks they are subjected to, but instead retain them, are documented in a complementary body of empirical research. In survey studies, there is always a conclusion that limited access to cheap insurance, poor enforcement, distrust of insurance companies, and liquidity constraints cause the contractors to self-insure either through reserves, contingency mark-ups or informal subcontracting (Hwang & Leong, 2022). Econometric analysis proves that SMEs that extensively use risk retention have more substantial variation of project outcomes and increased likelihood to go into insolvency following adverse incidents (Han et al., 2021). These results point at a behavioural trade-off: even though retention strategies may

help to maintain short-term margins, it exposes downside risk and enhances financial vulnerability.

There is also empirical research that demonstrates that financing decisions have an impact on the project performance results. Cross-sectional and quasi-experimental studies have shown that projects having formal risk transfer arrangements have short-term recovery and less litigation after the negative occurrence as compared to projects based on retention (Hwang et al., 2021). Nonetheless, insurance is not an automatic way of enhancing safety or quality unless there is governance and insurer imposed preventive provisions. This proves the contingent nature of insurance efficacy in project performance (Han et al., 2021).

The regulations and institutional environments are determining factors. In Asia compared to Africa, studies have revealed that implementation severity and administrative capacity are the main predictors in insurance penetration (Kavishe et al., 2022). Nigeria has poor regulatory provisions, inadequate awareness, and disjointed controls systems which restrict adherence to compulsory insurance policies (Olalusi et al., 2022). These conclusions are in line with previous attributions of the failure of the building to the failures of the systemic governance (Ayinuola, 2014; Upata, 2016). The most recent research also records risk financing innovations including catastrophic risk parametric products and predictive analytics to simulate the severity of accidents. Deep learning methods have led to better loss prediction and do allow insurers to price policies more efficiently and contractors to focus on preventive measures (Lee et al., 2022). Nevertheless, even these innovations are still on pilot projects only, and the fact that a centralized claim registries are lacking in most markets limits comparative analysis.

METHODOLOGY

This study adopted a descriptive survey research design, considered appropriate for assessing the relationship between risk financing strategies and project success in the Nigerian building construction sector. Descriptive survey methods enable researchers to gather representative data on perceptions, attitudes, and practices across large populations while minimizing cost and observer bias (Creswell & Creswell, 2018; Osula, 2014). The population of the study comprised two categories of respondents. First, all forty-one (41) licensed non-life insurance companies operating in Nigeria as of January 2019 were considered, consistent with National Insurance Commission records (NAICOM, 2019). Second, the study focused on registered builders in Lagos State, totaling 2,422 contractors according to the Council of Registered Builders of Nigeria (CORBON, 2020), validated by prior research (Babatunde, 2020). Lagos was purposively chosen due to its status as Nigeria's commercial hub and its high concentration of building activities.

From this population, a sample was determined using the Taro Yamane (1967) formula:

$$n = \frac{N}{1+N(e^2)} \quad (1)$$

where n is the sample size, N the population, and e the margin of error. Substituting $N = 281$ (active contractors on Lagos Island) and $e = 0.05$, the estimated sample was approximately 165 respondents. Additionally, five heads of property insurance departments from leading insurance firms (Axa Mansard, NEM Insurance Plc, Custodian & Allied, Mutual Benefits Plc, and Leadway Assurance) were purposively included, giving a total sample of 170 respondents.

Data were collected through a structured questionnaire divided into two sections. Section A captured demographic characteristics, while Section B focused on constructs aligned with the research objectives. The questionnaire items were measured on a five-point Likert scale ranging from "Strongly Disagree" (1) to "Strongly Agree" (5), consistent with prior studies (Binuyo, 2019). To evaluate the effect of risk financing strategies on project success, this study specified a linear regression model of the form:

$$Y_i = \alpha + \beta_1 RTS_i + \beta_2 RRS_i + \varepsilon_i \quad (2)$$

where: α = Intercept; β_1, β_2 = Coefficients measuring marginal effects of explanatory variables and ε_i = Error term.

To test robustness, a sensitivity model was estimated including control variables such as firm size, ownership structure, and years of experience:

$$Y_i = \alpha + \beta_1 RTS_i + \beta_2 RRS_i + \beta_3 FS_i + \beta_4 EXP_i + \beta_5 OWN_i + \varepsilon_i \quad (3)$$

This extended specification allowed for assessment of whether the relationship between risk financing strategies and project success remained consistent after accounting for organizational heterogeneity (Gujarati & Porter, 2020).

Table 1. Variable Definitions and Sources

Variable	Definition	Measurement	Source
Project Success (Y)	Overall achievement of project objectives	Composite index of quality, cost, timeliness, and stakeholder satisfaction	Olawale & Sun, 2019
Risk Transfer Strategy (RTS)	Extent of reliance on insurance and contractual transfer mechanisms	Likert-scale responses (Q1-Q4)	Emekoma et al., 2023
Risk Retention Strategy (RRS)	Internal capacity to absorb risk via supervision, quality control, and design compliance	Likert-scale responses (Q5-Q9)	Boateng et al., 2021
Firm Size (FS)	Contractor's scale of operation	Dummy: 1=small, 2=medium, 3=large	CORBON, 2020
Ownership (OWN)	Structure of business ownership	1=sole owner, 2=partnership, 3=corporation	NAICOM, 2019
Experience (EXP)	Years of contractor's experience	Categorical (<5, 5-10, 11-15, 15+)	Babatunde, 2020

Source: Author (2025)

The analysis used various regression analysis to approximate the empirical models, which were conducted with SPSS version 25. Ordinary Least Squares (OLS) was chosen because it makes sense when using continuous dependent variables, and is efficient when the Gauss Markov assumptions are met (Wooldridge, 2019).

Diagnostic tests were done before estimation to make the results valid. Variance Inflation Factor (VIF) tests have been used to ensure that there are no multicollinearity in the explanatory variables, and Breusch-Pagan tests were used to test homoscedasticity. The ShapiroWilk test was used to test the normality of residues. Durbin-Watson statistics was used to test the presence of autocorrelation and values close to 2 indicated that the residual values were independent.

Robustness tests were done by estimating other specifications (Eq. 3) as well as sensitivity analysis through the removal of possible outliers and re-estimating models. Besides that, to analyze heterogeneity in strategy-performance relationships, small and large contractors were used as sub-samples in the regression.

RESULTS AND DISCUSSIONS

The demographic profile of the respondents (Table 2) implies that most of the respondents were males (70.6) and those between the age of 18-29 years (50.6), which implies that the younger professionals are the ones who mainly drive the construction activities in Lagos State. Quite a high percentage of the respondents had high educational levels, 47.6% of them had doctorate degrees. These results can be compared to the findings of recent research indicating that the availability of a higher education level among contractors and managers has a positive impact on the control of the project and the ability to manage risks (Olawale and Sun, 2019; Emekoma et al., 2023). Work experience is well distributed, with 36.5 percent having a work experience of 1014 years, which shows that they have enough experience in construction risks and complexities of project management. Diversity in the sampled contractors is indicated by firm size and ownership structure and position in the business that exhibits different capabilities to adopt risk financing strategies.

Table 3 shows the strategies of risk financing by building contractors. The risk transfer strategy is also observed in terms of the use of insurance policies in construction projects and 27.6 percent strongly agree that all the projects are insured. Nevertheless, 34.1% admitted high insurance cost discourages adoption as a manifestation of financial constraint as a deterrent to risk transfer. Risk retention strategies are mostly operational, which entails supervision, compliance in the design, and testing of materials. Although a good percentage of forty three percent of the respondents strongly agreed that they update design documents to achieve compliance, only a quarter of twenty five point three percent of the respondents put into consideration experience when choosing project teams. Its findings are consistent with the results of previous studies that demonstrated that efficient internal risk retention requires contractor capacity and experience (Boateng et al., 2021; Emekoma et al., 2023).

Table 4 is a manifestation of awareness and compliance with building construction insurance policy. Although the Insurance Act 2003 requires the provision of cover of structures spanning more than one floor, a quarter to half of the respondents reported that they have poor awareness and indifference to insurance, with most (31.2) having alternatives to construction insurance. This is similar to Adeusi (n.d.) and Nnedinma et al. (2014), who have suggested that lack of compliance is restricted due to gaps in enforcement and lack of awareness among the population, which exposes them to financial losses because of building failures.

The material, labour, and finance-related factors (Table 5) indicate that project success factors play an important role in the results of the construction. Project success was strongly linked with quality of materials, labour productivity and accuracy of estimating the cost of a project. Interestingly, external and regulatory sources like government permits and civil unrests had the medium impact, which is a sign of systemic problems with the construction environment in Nigeria (Akinyemi, 2016; Babatunde, 2020). This goes in line with the Resource-Based View (RBV) which highlights that internal resources and capabilities (materials, labour and finance) are key in the realization of the goal of a project (Barney, 2020).

The regression findings, which are combined in Table 6, indicate that both risk retention ($R^2 = 0.000$, $p = 0.995$) and risk transfer ($R^2 = 0.000$, $p = 0.995$) strategies have positive but non-significant effects of project success. Although the coefficients are positive, the statistical significance is not significant indicating that other factors which are not observed like regulatory enforcement, experience of the contractor and market conditions might be more influential in determining the project outcomes. The discovery partly contradicts the research that indicated serious positive impacts of insurance and internal risk management on project execution (Boateng et al., 2021; Emekoma et al., 2023), suggesting the contextual diversity of Lagos State construction projects.

The hypotheses testing is summarized in Table 7. H01 and H02 were not rejected, thus showing that neither the risk transfer strategies nor the risk retention strategies play a significant role as the sole determinant of the success of a project among the Lagos state contractors. H03 that refers to the firm characteristics is yet to be verified in the long term multivariate models. The smallness of risk financing approaches implies that the success of project is a multi-dimensional factor, which depends on internal, financial, regulatory, and environmental factors. Economically, it means that the investment in insurance or in-house controls by contractors can be required but not sufficient to mitigate construction risks in the market with weak enforcement and strong systemic uncertainties (OECD, 2013; Gujarati and Porter, 2020).

The results emphasize the necessity of combined risk management, which is a combination of financial and operational, as well as regulatory strategies. Although contractors embrace risk transfer and risk retention measures, the limited impact on project success indicates that risk financing should be complemented by enforcement of standards, professional supervision, and stakeholder collaboration (Olawale & Sun, 2019; Emekoma et al., 2023).

Table 2: Demographic Characteristics of Respondents

Variable	Category	Frequency	Percentage (%)
Gender	Male	120	70.6
	Female	50	29.4
Age (Years)	18–29	86	50.6
	30–39	27	15.9
	40–49	40	23.5
	50–59	10	5.9
	60+	7	4.1
Educational Qualification	Bachelor's/HND	13	7.6
	Master's	53	31.2
	Doctorate	81	47.6
	Professional Certificate	12	7.1
	Others (ND, SSCE, etc.)	11	6.5
Work Experience (Years)	<5	23	13.5
	5–9	39	22.9
	10–14	62	36.5
	15+	46	27.1
Business Size	Small	45	26.5
	Medium	86	50.6
	Large	39	22.9

Variable	Category	Frequency	Percentage (%)
Position in Business	Owner	78	45.9
	Partner	40	23.5
	Supervisor	37	21.8
	Others	15	8.8
Risk Management Guideline	Yes	96	56.5
	No	74	43.5
Insurance Policy	Yes	63	37.1
	No	107	62.9

Source: Field Survey (2024)

Table 3: Building Construction Risk Management Practices

S/N	Statement	SA (%)	A (%)	U (%)	D (%)	SD (%)	Total (%)
Risk Transfer Strategy							
1	We have insurance policy for all building constructions	47	37	51	20	15	100
2	Construction insurance policy gives confidence in building process	33	61	14	42	20	100
3	Most building contractors do not have construction policy because it is too expensive	58	27	11	43	31	100
4	Builders risk policy is relevant to building construction projects	18	26	39	54	33	100
Risk Retention Strategy							
5	We consider experience in choosing project team members	25	36	18	33	58	100
6	We revise design documents to ensure compliance to standards	43	41	27	36	23	100
7	Communication and coordination between parties is very sound	14	43	36	46	31	100
8	Decision-making process is scrutinized to avoid errors	37	28	49	32	24	100
9	Test and inspection of materials and labour are thoroughly done	36	22	41	19	52	100

Source: Field Survey (2024)

Table 4: Awareness of Building Construction Insurance Policy

S/N	Statement	SA (%)	A (%)	U (%)	D (%)	SD (%)	Total (%)
10	Punitive measures for non-compliance are poor	47	37	51	20	15	100
11	Most building contractors are not aware of the construction policy	32	15	46	28	49	100

S/N	Statement	SA (%)	A (%)	U (%)	D (%)	SD (%)	Total (%)
12	Construction policy is not compulsory for all types of construction	41	38	24	16	51	100
13	Most building contractors have apathy for construction policy	28	48	47	36	11	100
14	Most builders have alternatives to construction insurance	34	53	26	18	39	100

Source: Field Survey (2024)

Table 5: Project Success Factors in Building Construction

Factor	Statement	SA (%)	A (%)	U (%)	D (%)	SD (%)	Total (%)
Material-Related Factors							
1							
1	Quality of materials used influences project success	11	31	58	43	27	100
2	Change in material type/specifications affects project success	39	26	18	33	54	100
3	Compliance of materials to specifications affects project success	20	37	15	47	51	100
Labour & Equipment Factors							
4							
4	Labour performance and productivity affect project success	52	22	41	19	36	100
5	Availability and efficiency of equipment affect project success	49	46	15	28	32	100
Finance-Related Factors							
6							
6	Cost estimation accuracy helps achieve project success	53	13	11	81	12	100
7	Source of finance affects project success	54	33	39	18	26	100
External/Regulatory Factors							
8							
8	Changes in regulations affect project success	28	11	47	36	48	100
9	Government permits are difficult to obtain	18	36	25	33	58	100
10	Civil disturbances at construction sites affect project success	51	15	47	20	37	100

Source: Field Survey (2024)

Table 6: Regression Results (Risk Financing Strategies and Project Success)

Model	Independent Variable	R ²	Adjusted R ²	Std. Error	F	Sig. F
1	Risk Transfer Strategy	0.000	-0.021	1.439	0.000	0.995
2	Risk Retention Strategy	0.000	-0.021	1.439	0.000	0.995
ANOVA						
Model	Source	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.000	1	0.000	0.000	0.995
1	Residual	99.380	48	2.070		
1	Total	99.380	49			
2	Regression	0.000	1	0.000	0.000	0.995
2	Residual	99.380	48	2.070		
2	Total	99.380	49			
Model	Variable	B	Std. Error	Beta	t	Sig.
1	Constant	3.177	0.481		6.599	0.000
1	Risk Transfer Strategy	0.001	0.141	0.001	0.007	0.995
2	Constant	3.177	0.481		6.599	0.000
2	Risk Retention Strategy	0.001	0.141	0.001	0.007	0.995

Source: Author (2025)

Table 7: Summary of Hypotheses Testing

Hypothesis	Independent Variable	Dependent Variable	R	R ²	Sig.	Decision
H01	Risk Transfer Strategy	Project Success	0.701	0.000	0.995	Not Rejected (insignificant)
H02	Risk Retention Strategy	Project Success	0.811	0.000	0.995	Not Rejected (insignificant)
H03	Firm Characteristics (size, experience, ownership)	Project Success				To be tested in extended model

Source: Author (2025)

Hypotheses Evaluation

As regression analysis indicated, the effect of risk transfer strategy as a factor with a positive but insignificant impact on project success. This implies that the use of insurance policies alone is not based on the project success in Lagos State. On the one hand, insurance theoretically helps to reduce financial exposure (Hansen, 2014; Charles, 2012), but on the other hand, high premiums and small cover decrease its usefulness. This is supported by empirical research conducted by Boateng et al. (2021) who state that insurance should be included in a framework of greater risk management to have a significant impact on performance outcomes.

Supervision, quality checks and design compliance, which are considered risk retention, also had a positive but negligible impact. This is congruent with Tyagler (2017) and Ukpata (2016), as they establish that internal measures can only work successfully having skilled employees, strong monitoring systems, and adherence to regulations. The results also affirm that even systemic risks of the system, like regulatory bottlenecks, defective materials, and civil disturbances, which have

been noted to be critical to project success, cannot be tackled with the help of internal risk retention (Adebayo, 2016; OECD, 2013).

Even though H03 is yet to be tested to the full extent, the available body of literature suggests that the impact of risk financing strategies on project success may be mitigated by the firm size, experience, and the ownership structure (Babatunde, 2020; Olawale and Sun, 2019). The bigger companies and those that have the more experienced staff will tend to have better risk management policies in place, and small and less experienced contractors will have difficulties with the methods of risk retention and insurance policies in place.

Policy Implications

The conclusions have a number of policy implications to the Nigerian construction industry. To begin with, regulatory authorities like NAICOM and CORBON need to enforce mandatory insurance of multi-story buildings and make sure that the companies adhere to the requirements in period to ensure that they are not financially exposed to building collapses (Adeusi, n.d.; Nnedinma et al., 2014). Second, the government departments and industry associations must promote awareness on the significance of risk transfer as well as risk retention strategies. This would enhance the acceptance levels amongst the small and medium contractors who are either apathetic or uninformed at present (Charles, 2012; OECD, 2013).

Third, the economic logic is that the tax breaks or subsidies should encourage investment in internal risk controls, i.e., supervision, quality assurance and adherence to design standards. These measures will be able to absorb the exorbitant insurance costs, and a complementary risk financing system will be established that enhances the outcomes of projects without causing excessive financial pressure (Emekoma et al., 2023). Fourth, the state must adopt the use of monitoring structures to ensure compliance with construction regulations and penalize the failure to do so and minimize the number of collapses and related economic damages (Akinyemi, 2016). Lastly, the research notes integrated risk management policies of a financial, operational and regulatory nature are necessary. Connecting contractor capacity, firm characteristics, and regulatory enforcement, policymakers can establish the environment in which risk financing strategies will lead to a concrete project success, which will increase the stability and sustainability of the construction industry in the Lagos State (Boateng et al., 2021; Olawale and Sun, 2019).

CONCLUSION AND RECOMMENDATIONS

This paper has analyzed how risk financing strategies relate to the success of projects among building contractors in Lagos State in Nigeria. The study based on the responses of 170 subjects to descriptive survey design assessed the role of risk transfer strategy (insurance policies) and risk retention strategy (internal risk management measures) in the determination of the project outcomes. According to the results, both the strategies show a positive correlation with the project success; however, the statistical significance of both the strategies is non-existent. This implies that the introduction of insurance and internal risk management might not ensure the improved project performance including the Lagos State, which can be affected by systemic forces like enforcement of regulations, experience of the contractors, quality of materials, and external interference.

The findings also indicate that the awareness and adherence to mandatory building insurance is not the best. A considerable percentage of contractors do not have insurance or show indifference

towards the fulfilling the policies, which is usually because of the excessive size of premiums or a weak enforcement system (Adeusi, n.d.; Nnedinma et al., 2014). This means that risk financing, although logically good, needs to be supported by other initiatives such as proper monitoring, enforcement of regulations, and educational efforts by the stakeholders as a means of turning it into a concrete project success. In addition, the internal risk-retention ability seems to be under-exploited, especially with smaller contractors, highlighting the applicability of firm characteristics to project outcomes. Economically, the results support the fact that construction risk mitigation is multi-dimensional. The success of a project itself will depend on financial hedging via insurance but also on the ability of the project to operate, flexibility to adhere to regulations, as well as the ability to make strategic decisions. The research is in line with the Resource-Based View (RBV) in that internal capabilities, which include qualified staff, efficient operations, and access to quality resources, need to be supplemented by external risk transfer mechanisms to ensure maximum performance of a project.

On the basis of these insights, a number of recommendations are provided. To start with, government regulators like NAICOM and CORBON need to enforce mandatory construction insurances and increase awareness among the citizens so as to enlighten the contractors on the advantages and the law on transfer of risks. Second, subsidies or tax rebates can be implemented to attract smaller contractors to cover insurance without having to pay prohibitive insurance cover (Emekoma et al., 2023). Third, internal risk retention strategies, i.e. team experience, comprehensive supervision, compliance to design, and strict material and labor testing need to be the priorities of the contractors. The technical capacity of contractors might be increased through professional development programs and certifications, which allow them to better handle and reduce risks (Boateng et al., 2021; Adebayo, 2016). Fourth, all the integrated risk management frameworks that integrate insurance, internal control and compliance monitoring must be institutionalized throughout the sector to provide holistic risk management of the projects. Lastly, risks must be funded by the stakeholders coming to an agreement that the environment is sustainable and the strategies are not adopted but practiced. These will make building projects more resilient, minimize cases of building collapses, and lead to the sustainable economic development of Lagos State and Nigeria in general.

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