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DISSERTATION RESEARCH PROJECT

AN INVESTIGATION OF RISK MANAGEMENT STRATEGIES ON SMALL TO MEDIUM ENTERPRISE'S GROWTH

BY

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DEDICATION

This work is dedicated to my husband.

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I would like to take this opportunity to express my sincere gratitude to my Lord and Savior, Jesus Christ and the following people for all the love, support, encouragement, and inspiration they offered me during my research period:

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To all, I sincerely say, Thank you! May the good Lord bless you abundantly!

ACRONYMS

SME	Small to Medium Enterprises
OECD	Organization for Economic Co-operation Development
MDGs	Millennium Development Goals
SDGs	Sustainable Development Goals
RBZ	Reserve Bank of Zimbabwe
GDP	Gross Domestic Product

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ABSTRACT

This research is about an investigation of risk management strategies on small to medium enterprise's growth. The country is facing hyperinflation, recessions and credits are attracting high interest rates. The benchmark interest rate in Zimbabwe was last recorded at 200 percent as enacted by the RBZ (2022). At the same time, there are also problems emanating from unsystematic risks such as lawsuit, strikes, theft, successful and unsuccessful marketing programs, winning or losing a major contract and risk of failing to make profit. The biggest problems SMEs face include rivalry, insecurity, debt collection, a lack of operating capital, and power outages. Aside from political unpredictability, high material costs, poor demand, and restrictive bylaws, these enterprises also face a number of other difficulties. In this regard, this study sought to find out on the nature of the risk management practices implemented by several SMEs in the country whether they have better guarantee the SME's growth in the foreseeable future. The objectives of the study are; to explore SME's awareness of risk and risk management; to check how SMEs are managing risk to ensure their business's growth; to determine the risk management challenges faced by SMEs as they grow and to generate ways to curb the risk management challenges faced by SMEs to ensure business growth. The findings indicated that participants in the SMEs sector have acquired various academic achievements which include certificate, diploma, degree and masters. The findings also indicate that there is a week positive correlation of 0.044 between risk management strategies and the risk management controls used. The findings also indicate that the main challenges faced when trying to manage risks are as follows; failure to use appropriate risk metrics, mismeasurement of known risks, failure in communicating risks to top management and failure in monitoring and managing risks. SMEs are facing a lot of challenges in the management of various types of risks. The challenges are increased by shortages of resources to hire professional risk advisors. Since SMEs are mainly operating on a small scale, they usually use reactive approach to risk management as they do not have the team to proactively detect the risk before it transpires. The risk identification and treatment are poor in SMEs and this led to various challenges in managing the risk. The study recommended that Regulation of SMEs is very critical since these firms have a major contribution to the growth and development in a country. The regulators need to impose a control which push the SMEs to have proper structures to capture risk management The SMEs managers are the gatekeepers for various SMEs, in this regard, they need to monitor the risk management proceedings in every SMEs so that their growth can be noticed in the short and long-term. As the focal people who can invest into the any firm, the investors need to check the organizational set-up of various SMEs so that they can influence the construction of sound and robust risk management schemes.

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CHAPTER I

INTRODUCTION

1.0 Introduction

The study's background, problem statement, research questions, and study objectives are all well-defined in this chapter. This chapter does a good job of addressing the study's relevance to key stakeholders, such as the general public, those in charge of governance, and the researcher, as well as its delimitations, limitations, and guiding assumptions. More so, definitions of significant concepts were included.

1.1 Background

More resources are needed to combat hazards, managing risks among small and medium-sized firms has grown to be a challenging issue on a global scale. Different businesses manage risks in different ways when it comes to SMEs. SMEs in developing nations have effective procedures and plans in place to lessen risks. The risks that SMEs focus on the most frequently are credit, liquidity, and operational concerns.

According to a study conducted in Canada, Conyon (2015), the causes of the 2018 global financial crisis have been related to poor risk management practices in a number of SMEs. This is in line with other worldwide difficulties, such as the Global financial crisis. From this Canyon study (2015) even while SMEs contribute to a nation's economic development, the prevalence. Another worldwide scale study on risk management, conducted in Belgium by Shortreed (2016), typically focuses on solutions rather than the primary issues and root causes of risks. In this instance, it became clear that robust empirical evidence put under close scrutiny does not highlight risk management approaches that take a proactive approach to managing risks. According to those who blamed risk management as the cause of subpar growth, unsuccessful risk management is more appropriately characterized by insufficient controls than by functional efficacy.

In a different study conducted in Denmark by Baker, (2019), it was argued that the relevance of risk management to an entity's growth was crucial because SMEs lacked expertise in risk identification or assessment, resulting in risks being exposed too late or not being sufficiently mitigated. Pirson and Turnbull, (2021) elaborated specifically on this topic, explaining that either boards lacked access to risk-related information to adequately carry out their oversight duty or were unable to comprehend the information.

The majority of firms have at least ten groups or departments that work independently on a variety of risk management activities, according to research from the Chartered Institute of Management Accountants (CIMA). As shown in the first example, risk is being monitored in each division. The second negative aspect of this tactic is the possible creation of an aggressive risk culture (Chavali and Mohanraj, 2016). The employment of mathematical risk models, which can be risky because they can withstand risks to a certain extent but shouldn't be employed in day-to-day operations, is the final fault (CIMA, 2020).

It has been reported that SMEs are growing rapidly at the regional level in Africa, with the majority of them being recognized as the main industries in their home nations. SMEs are having a difficult time managing their risks, despite the fact that they are expanding in the area. According to Mbuyiselo et al. (2017), SMEs in the manufacturing sector in the Cape Town region encounter numerous difficulties since they lack the knowledge and expertise necessary to manage the various risks that are present in their operations. According to this report, the majority of SMEs are unable to categorize the risks that threaten their operations. Lack of expertise and financial resources are impeding efforts to establish appropriate risk modeling. Liquidity, credit, and operational risk are the three most common types of risk in this situation.

Another study conducted in Sri Lanka by Divakara and Surangi (2017) found that major manufacturing SMEs are caught in a vicious cycle since they are competing in a mature market. The primary observed issues of concern in this study were the dearth of global prospects, the dearth of innovations, failures, and restrictions on SMEs in risk management. The formal discipline of risk management's steps rarely follow the correct sequence in practice. One risk manager may stand out from another based on their ability to put up an efficient economic transfer of risk, while other times the main problem is simply identifying the risk.

Concerns about risk management in SMEs exist in Zimbabwe. Studies have shown that this is baked. According to a study done by Gwangwava et al. (2015), many SMEs are in serious difficulties since they aren't managing their credit risk. The study showed that numerous SMEs, including those in the financial services sector, have suffered significant losses as a result of poor risk management techniques. The majority of SMEs are unable to employ risk managers who can evaluate the risk and the magnitude of its impact on these businesses' operations.

Despite contributing considerably towards the growth and development of the Zimbabwean country, SMEs are suffering a range of issues. SMEs in Zimbabwe provide more than 50% of the country's GDP and employ 80% of the workforce (Bayaga, 2015). Despite the country's significant growth in the number of SMEs, there is a great deal of worry about how their risk management procedures affect how they conduct business. According to Triantis (2017), a corporation must be aware of the sources of risk to which it is subject in order to manage risks effectively.

1.2 Statement of Problem

Over 5.9 million people, more than 75% of the country's total workforce of 7.8 million, are employed by SMEs in Zimbabwe, contributing $8.58 billion to the county’s GDP (Chanakira and Masunda, 2019). However, according to MoSMED (2020), it is anticipated that 45.6% of all SMEs fail annually due to a failure to manage uncertainties of financial loss. The country is facing hyperinflation, recessions and credits are attracting high interest rates. The benchmark interest rate in Zimbabwe was last recorded at 200 percent as enacted by the RBZ (2022). At the same time, there are also problems emanating from unsystematic risks such as lawsuit, strikes, theft, successful and unsuccessful marketing programs, winning or losing a major contract and risk of failing to make profit. According to Bowel et al. (2019), the biggest problems SMEs face include rivalry, insecurity, debt collection, a lack of operating capital, and power outages. Aside from political unpredictability, high material costs, poor demand, and restrictive bylaws, these enterprises also face a number of other difficulties. In this regard, this study sought to find out on the nature of the risk management practices implemented by several SMEs in the country whether they have better guarantee the SME’s growth in the foreseeable future.

1.3 Objectives

1. To explore SME’s awareness of risk and risk management.
2. To check how SMEs are managing risk to ensure their business’s growth.
3. To determine the risk management challenges faced by SMEs as they grow.
4. To generate ways to curb the risk management challenges faced by SMEs to ensure business growth.

1.4 Questions

1. Are SME's awareness of risk and risk management?
2. How are SMEs managing risk to ensure their business's growth?
3. What is the risk management challenges faced by SMEs as they grow?
4. What are ways to curb the risk management challenges faced by SMEs to ensure growth?

1.5 Significance of the study

The study is significant in the following areas:

1.5.1 Significance to Risk Practitioners in public practice

To create a solid foundation on which practitioners can expand their research on the subject in public practice and offer deeper explanations of the analyses carried out.

1.5.2 Significance to the researcher

By virtue of carrying this study, the researcher will be in a position finish her degree. The findings can also help the researcher to understand risk management policies for SMEs and the practical application of academic theories.

1.5.3 Significance to the University

The research product will serve as an archive for fellow students pursuing further research in the areas of risk management, growth measurement and strategic planning.

1.5.4 Significance to entities in Zimbabwe

To take a broader looks at risk management and not simply focus on the risk that matter particular to the industry. A holistic approach to managing risks and growth at a strategic level is optimum able to make organizations withstand the raplex market dynamics that provide constant challenges to the firm's going concern assumption. They may consider the adoption of recommendations given.

1.6 Assumptions of the study

- The researcher will gain access to all the records necessary for the research study from the 5 SMEs.
- The research will be carried out and completed within the time frame.

1.7 Limitations of the study

Information confidentiality - Some of the data is so confidential that it cannot be shared with outside parties. It was confirmed that it is only for academic purposes.

Covid 19-The respondent was unable to physically gather data in confined places because of Covid 19 Social Distance constraints. To overcome this limitation, the researcher made phone calls and used emails. The researcher was also called out for skype interview.

1.8 Delimitations of the study

The study restricts itself to evaluate entrepreneurial characteristics, the determinants of SMEs, the SME and factors affecting SMEs in and around Harare, Aspindale industrial area and only 5 SMEs were used as case study taking information from 2020 to 2022.

1.9 Definition of key terms

Traditional risk management means fundamental policies and procedures of identifying, quantifying and managing specific risks individually with little or no interaction (Connair, 2018).

Governance denotes the guidelines, processes or regulations by which an organization operates and controls (Moeller, 2019).

Risk management refers to the set of processes through which management identifies analyses and where necessary, responds appropriately to risks that might adversely affect realization of the organization's business objectives (Moeller, 2019).

1.10 Chapter summary

The first chapter began by examining the context of the study, which involved a broad evaluation of the effects of risk management strategies on the growth of SME organizations. The issue that made it necessary to conduct the research was also highlighted by the researcher.

The chapter contains the major topic, conceptual framework, research objectives and significance of study, delimitations and limitations of the investigation. The next chapter examined historical and contemporary sources to provide a clear understanding of risk management strategies for SMEs.

CHAPTER II

LITERATURE REVIEW

2.0 Introduction

The selection of information, theories, facts, and evidence written on a certain subject to achieve a specific goal constitutes the review of literature. On this study, literature review focused on conceptual framework of risk management principles, the theory relevant to research questions, key trends in this sector of literature, main theories, areas of disagreement and gaps.

2.1 Business Growth.

Business growth, according to Sanders et al. (2022), is the phase in which a company reaches the point of expansion and looks for new ways to increase profits. Business growth is influenced by the lifecycle of the company, trends in industry growth, and the owner's desire to increase equity value. The process of raising a business's success indicator. According to Sadiq et al., 2015 "Firm growth can be done in two ways: either by raising the top line or revenue of the company through more product sales or service income, or by improving the bottom line or profitability of the business by cutting costs (2021).

An expanding business will often be boosting sales and improving its standing in the industry. However, the concept of growth is not firmly defined.

2.1.1 Business Growth Measures

There are a number of ways to measure business growth; there is no one method that is universally accepted. Included in this list are sales, profits, employees, market share, assets, output, firm valuation, and the total number of clients. Sales and personnel count are two often used metrics for measuring firm growth, according to O'Regan and Ghobadian (2016). According to (Mufudza et al, 2018), for the majority of SMEs, sales and employment are more favourable because they are typically readily available.

Although small businesses have poor record keeping skills, they attach significant importance to sales data as an indicator of business growth. Rosnah et al, (2020). Also backs the use of sales data as a more appropriate measure of business growth. (Acquach, (2017) also supports that the use of sales data, turnover and profits is more accurate than the labour-based measurement, especially where there is the absence of errors, because some people may over hire or even under hire hence giving you a biased result about the size of the firm.

Other analysts favor utilizing the employment indicator to gauge business growth. If a business consistently adds new employees, it is said to be growing (Raymond and Croteau, 2016). Because sales could be impacted by inflation, Szabo (2021) advises using the labour indicator rather than the sales indicator. Other academics support the use of production levels and market share to gauge firm growth. However, the issue with these two criteria is that they vary greatly across industry, making it challenging to utilize them for comparison. If not measured over an extended period of time, profit as a metric of growth is worthless (Li et al, 2018).

The employment indicator will be used primarily in this study to gauge growth. In addition to the primary measurement indicator, net asset value, profitability, and sales turnover are also used. According to Hoggetts and Kuratko (2021), evaluating business growth using the employment indicator will produce results that are nearly identical to those obtained using the sales indicator.

2.1.2 Risk management

Risk and risk management are major concerns for all firms, but notably for small and medium-sized ones that are more exposed to business risk and competitiveness (Alquier and Lagasse, 2016). (Alquier and Lagasse, 2016). The fundamental tenet of risk management in SMEs is that it is critical to plan for future uncertainty, take into account potential risks and their manifestations and ramifications, and create strategies to deal with them and lessen or eliminate their impact on the business (Ntlhane, 2015).

The formal discipline of risk management’s processes rarely follows the correct sequence in practice. One risk manager may stand out from another based on their ability to put up an efficient economic transfer of risk in some cases, whilst other times the key problem is simply identifying the risk (Cruffy et al 2019). (Cruffy et al 2019). In a similar spirit, they described risk management as the method through which organizations intentionally decide the sort and level of risk that is appropriate for them to accept. Most business decisions entail sacrificing current resources for unreliable future gains (Duong, 2018). (Duong, 2018). According to ISO 31000, risk management both produces and protects value.

The benefits of SME risk management have been stressed by a number of authors. The major outcomes include a steady rise in SME financial growth, a strengthened SME position in the market, improved customer services/products, and higher employee productivity (Psarska et al., 2019). Both the macroeconomic indicators for the country and the enhanced economic indicators for the SME site, such as the population's purchasing power, illustrate the secondary effects (Audretsch and Keilbach, 2015).

2.1.3 Risk management frameworks that has been applied to the SME

According to Matthews and Scott, many SMEs lack an explicit awareness of business risk, and their risk management is typically not well-organized, rigorous, or standardized. According to Henschel (2018), SMEs confront a serious business risk since they lack knowledge and skills. According to O'Hara et al., (2015) stated that, SMEs consider time constraints and a lack of sufficient guidance as two impediments to risk assessment. He claimed that SMEs could effectively boost risk assessment with access, the right training, and support.

Ntlhane (2014) asserts that most SMEs do not manage risks until they materialize, at which point they become compelled to take the necessary action. Because they are manual and reactive, the risk management controls that have been implemented are ineffective. The study discovered that entrepreneurial actions are concentrated on avoiding risk rather than establishing systems for risk mitigation (Falkner, et al, 2015). Because every organization may prosper and expand if it can take advantage of business opportunities, which typically come with higher risks, avoiding risk results in a company's inability to grow economically.

The consequences of poor business risk management endanger a company's ability to survive (Balcaen and Ooghe, 2016). This includes being unable to fulfil financial responsibilities to clients, staff members, vendors, and the government. Negative financial indicator data for the company or hostile interactions between employees and management are both factors that frequently lead to the company's dissolution (Chodnicka and Zimon, 2020). Given the crucial role that SMEs play in the entire economic system of national policy and the European Union as a whole, there are endeavors to examine business risks and their relationship to a firm's future course in more depth (Lima et al., 2020).

Risk is described in a variety of ways (Shimpi, 2022) but he emphasized that risk has two elements; uncertainty and repercussions. Risk can have a good or detrimental impact on an analyst's aims. Pure guesswork creates a danger. Pure risk is the chance of loss or no loss but no reward, whereas speculative risk presents the possibility of both profit and loss (Geldenhuys, 2016). Risks include potential dangers such system breakdowns brought on by human error, fraud motivated by corruption, and a lack of financial controls that could result in financial loss for the organization. Some of the risk categories the Company must deal with and which have an impact on its operating growth are operational, product, input, tax, legal, and regulatory risks.

Risk management always includes the operational tasks of organizing, coordinating, planning, managing, and operating. For detecting, prioritizing, and managing risks, organizations have traditionally used a methodical process. In place of integrated or corporate strategy, traditional risk management, or the transfer of risk through insurance and other financial instruments, is now being used (Meulbroek, 2022). (Meulbroek, 2022). However, depending on the organization's risk culture and appetite, particularly in the banking sector, the level of risk management practice varies (Joion, 2019).

On the other hand, static risks are those that depend only on internal factors of the entity and are not influenced by an evaluation of the industry in which the organization operates (Falkner et al, 2015). In contrast to dynamic hazards, static risks are predictable and occasionally occur. The aforementioned principles of dynamic and static risks would serve as the fundamental building blocks for the justification of the risk transfer process through the insurance market, as stated by (Pavodani and Tugnoli, 2015).

2.1.4 The level of risk management frameworks implemented in the sector.

The word risk has become a frequent and widely used component of today's vocabulary due to factors including personal circumstances like health, pensions, insurance, investments, society such as terrorism, economic growth, and food safety, as well as business such as corporate governance, strategy, and business continuity (Gordon, et al, 2019). (Gordon, et al, 2019). Numerous human-made institutions, including those in politics, religion, philosophy, technology, laws, ethics, and morals, could be considered as a strategy to deal with uncertainty (Hillson, 2016). It would seem that human cognition has the capacity to discern patterns in uncertainty and build heuristics to lessen it. Risk is therefore not just ubiquitous everywhere but is also controlled. According to Gorzeń-Mitka (2015), there is a corresponding urge to handle risk as much as possible because risk is acknowledged and accepted as inherent and unavoidable in every sector of human endeavor.

2.1.4.1 Financial and Non-Financial

The concept of risk in this sense, according to Vaughan (2017), may contain financial impact or consequences, but it may also not. In light of this, financial risk can be defined as a person's relationship to an asset or even the anticipation of an income that could be lost or destroyed. As a result, according to Harvett (2018), there are three components to financial risk: the person or organization that is at risk for harm, the asset or source of income whose loss will result in financial harm, and the threat that could do so.

a) Dynamic and Static

According to this classification, risk results from the dynamic change in the economic environment and is influenced by rivals, industry membership, and customer preferences in addition to internal organizational decisions and economic changes (Forestieri, 2018). Dynamic risks typically benefit society in the long term because they are a result of resource misallocation (Hensche and Gao, 2015). Due to the fact that dynamic dangers do not occur as frequently as static threats but still have a large number of possible victims, they are deemed to be less predictable.

b) Systematic and diversified

According to Vaughan, systematic risk is primarily caused by the main macroeconomic factors, such as the general direction of the economy as indicated by, for example, the variation in GDP and the direction of market interest rates and inflation (2017). The change in the consumer price index is used to measure it. A popular illustration of a systematic risk element that elegantly summarizes all other systematic risk sources is market risk. According to this perspective, diversifiable risks are those that are not connected to sources of systematic risk.

c) Pure and Speculative

The literature typically refers to instances where there is a probability of either losing or winning when defining speculative risk. These kinds of risks would not be insurable since they would involve a speculative process that might yield a profit (upside risk) but might also yield a loss (downside risk) (Pavodani and Tugnoli 2015). Pure risk, on the other hand, refers to situations where there is only a potential of loss or no loss. One of the best examples of pure risk is the possibility of loss that comes with owning real estate or any other asset. In that case, the person who buys an automobile for example, immediately faces the possibility that something may happen to damage or destroy the automobile (Lusková, 2016)

d) Fundamental and Particular

According to Culp (2021) in Pavodani and Tugnoli (2015), the differences in the causes and impacts of losses would serve as the basis for the differentiation between basic and specialized risks. The potential for losses with impersonal sources and effects is one example of a fundamental risk (Vaughan, 2017). As a result, these risks may also be caused by natural events, however they are primarily caused by social, political, and economic reasons. Basic dangers are thought to be the responsibility of society, not the individual, since they are thought to result from circumstances beyond the control of the persons who suffer the loss and are not specifically the fault of anyone (Moyo, 2016).

Based on the variability in the causes and effects of losses, Pavodani and Tugnoli (2015). The potential for losses with impersonal sources and effects is one example of a fundamental risk (Vaughan, 2017). As a result, these risks may also be caused by natural events, however they are primarily caused by social, political, and economic reasons. Basic dangers are thought to be the responsibility of society, not the individual, since they are thought to result from circumstances beyond the control of the persons who suffer the loss and are not specifically the fault of anyone (Moyo, 2016). In that regard, a sizeable section of the populace would be exposed to common threats. As a result, certain hazards are seen as the responsibility of the individual and are not something that society as a whole should be worried about.

e) Core and non-core

The core of business risk would be the risk that is inherent to the type of activity that the firm engages in. This point of view contends that this type of risk cannot be transmitted and must be handled internally by the company. As a result, these risks could contribute to the company's predicted earnings or returns (Tugnoli, 2015). Making sensible strategic decisions would therefore be primarily responsible for managing core or business risks.

2.1.5 Challenges experienced in the implementation of the risk management frameworks.

Over the past few years, just a few studies have examined the COSO ERM Framework's effectiveness, and there hasn't been any conclusive proof that the COSO ERM frameworks raise or improve entity value. In their article Adoption and design of enterprise risk management, Speklé (2022) evaluated the impact of the ERM design on risk management effectiveness for the first time. They carried out an empirical examination in the Netherlands. 825 Dutch organizations made up the sample size. In this sample size, the public sector, large organizations, and SMEs were all represented. They all implemented ERM at different dates and with different methodologies. The fundamental critique of this framework is that it provides very wide guidelines, in general.

According to Speklé, COSO discovered three crucial factors to increase effectiveness (2022). These three elements include the reporting deadline, how frequently risk assessments are conducted, and how risks are estimated (COSO, 2019). The paper states that several more requirements must be met in order to create an effective ERM system. These are undoubtedly important factors, but the majority of firms seek more help with particular aspects of the framework (Islam and Tedford, 2022). According to risk assessment, the majority of firms are unaware of how often they should review risks. Organizations require risk assessments to be conducted at least sometimes. Localization is a key barrier to implementing an ERM system (Jadi et al, 2019).

2.1.6 Failure to use appropriate risk metrics

Although VaR is a well-known risk metric, it can only show the largest loss the organization expects at a given level of confidence. VaR does not provide any information regarding the distribution of losses that exceed VaR. This suggests that utilizing VaR does not guarantee efficient risk management (Kubková et al., 2014). Furthermore, the effectiveness of VaR implementation is impacted by the financial market's liquidity. In illiquid markets, the value of daily VaR measurements is lost. This is because if a firm stays onto a portfolio that cannot be sold because the firm would be trapped with the portfolio for a much longer amount of time, a daily VaR metric is not a representation of the risk of a portfolio.

2.1.6.1 Mis-measurement of known risks

Occasionally, risk managers will underestimate the probability or size of losses. Additionally, they might make the wrong distribution decision. A financial institution with several positions may be able to precisely estimate the distribution associated with each position but may not be able to quantify the correlation between the various holdings (Mamman, et al, 2015). In the field of risk management, incorrect risk assessment occurs frequently.

2.1.6.2 Failure in communicating risks to top management

Risk managers notify the board and top management on the company's risk exposure. The management and board utilize this information to determine the firm's risk management strategy (Marcelino-Sadaba et al, 2014). If a risk manager is unable to properly communicate this knowledge, top management may make poorly informed decisions or may have an unduly optimistic perception of the risk position of the organization.

2.1.6.3 Failure in monitoring and managing risks

Last but not least, risk managers struggle to keep track of all alterations in the risk characteristics of assets and adjust their hedges as needed. As a result, risk managers may find it difficult to analyze and put in place risk hedges since the risk characteristics of securities may change too quickly for them to keep up with.

2.2 Theoretical Framework

This study was premised on the theory of opportunistic entrepreneurship, portfolio theory and capital asset pricing model.

2.2.1 The Theory of Opportunistic Entrepreneurship

Cressy, (1991) on the theory of entrepreneurial opportunism points out that the theory allows the individual to receive a continuous sequence of projects in each of which he makes a decision to invest or not. The model takes the form of the derivation of an optimal decision rule over project success based on probability which maximizes the entrepreneur's expected return and minimize risk given his current knowledge. This rule tells the entrepreneur which projects to accept and which to reject. The optimal reservation probability is shown to be a function of the quality of the entrepreneur's data, ability to formulate the correct model and to update that model as information accumulates.

2.2.2 Portfolio Theory

The basis of portfolio theory was first developed in 1959 by Harry Markowitz. The common sense behind the portfolio theory is based on the adage ‘do not put all your eggs in one basket’. This explains the risk- reducing effect of spreading investment across a range of assets, that in a portfolio unexpected bad news concerning one company will be compensated for to some extent by an expected good news about another. Markowitz, (1959) has given the tools for identifying portfolios which give the highest return for a particular level of risk. The investors can then select the optimum risk-return trade-off for themselves depending on the of personal risk aversion. These portfolios of different proportions satisfy a particular level of investor risk Risks Faced and Mitigation Strategies Employed by Small and Medium According to the portfolio theory there is a risk- reducing effect of spreading investment across a range of assets rather than running a single investment.

2.2.3 Capital asset pricing model and arbitrage pricing theory

Financial theory posits that the only relevant risk of an asset should be its level of systematic risk, as this risk cannot be diversified away. The cost of capital is a linear function of systematic risk (Ross et al 2005). The asset pricing theory uses one systematic risk factor as the market risk, while the capital asset pricing model an asset's exposure to market risk is measured by its beta (Roll, 1977). In both theories expected return is a trade off with risk. Different approaches are used to measure risk and they provide a rational framework for decision making provided existing information relevant to an event is fully appraised and deductions are based solely on such information (Fama, et al 2019).

2.2.4 Financial economics approach

This approach extends the traditional Modigliani-Miller paradigm (Miller and Modigliani, 1958), which specifies the requirements laid out by Risk Management Theory for the lack of relevance of the financial structure to business value. Later, risk management was included to this paradigm. Hedging also lessens the volatility of cash flows, which in turn lessens the volatility of corporate value, according to this plan. Increased loan capacity (Miller and Modigliani, 1963), progressive tax rates, reduced expected bankruptcy costs (Smith and Stulz, 1985), and securing internal finance are all examples of ways to increase financial capacity (Froot et al., 1997).

The hedging premium ought to be more valuable if hedging ultimately benefits the enterprise. Weak evidence supports the predictions made by the financial economics theory approach to risk management. There does not seem to be any evidence that risk management is related to the advantages stated by the theory, even while it does lower corporate value variability, which is the basic prerequisite for all other impacts (Jin and Jorion, 2006). One of Tufano's (2015) studies that has received the most citations examines the effects of managerial decisions as opposed to looking for data to back up financial theories. The increased debt capacity argument, however, appears to be supported by Faff and Nguyen's findings

2.3 Empirical literature review

2.3.1 Zwikael and Mark (2019) the effectiveness of risk management in New Zealand and Israel

Insufficient risk management of financial obligations is the leading cause of 15% of bankruptcies, according to research done in New Zealand and Israel by Zwikael and Mark (2019). 18% of SME bankruptcies are the result of poor risk management techniques, such as negligent administration and lax credit control. A potential cause of insolvency is the lack of funding for SMEs to create tools to evaluate the financial health of their businesses. Another issue raised is the dearth of funding and supportive employees needed for effective risk management. This is most likely a result of SMEs' inability to rededicate resources due to their limited financial resources.

2.3.2 Falkner and Hiebl (2015) financial risk management in Dutch SMEs

In a study they conducted in the Netherlands, Falkner and Hiebl (2015) discovered that SMEs need a proper approach to risk management and that further empirical research is needed on risk identification, risk analysis, strategy implementation, and control. However, family businesses—which make up the bulk of SMEs—show a lower adoption of risk management in 2019, particularly in those with a family CEO. The four steps of risk management are detection, assessment, treatment, and evaluation. In this study, data analysis demonstrates that, with the exception of risk treatment, there is a strong link between risk identification, measurement, and evaluation within the context of the risk management process.

2.3.3 Henschel, Beasley and Brustbauer (2016) Enterprise risk management in SMEs: towards a structural model in Zambia

According to earlier studies, size is a great predictor of the extent of risk management used. Numerous research have also uncovered additional distinctive factors, such as the industry type, external accounting standards, and legislation, as well as the erratic nature of financial growth. Other investigations took internal issues into account. Internal variables like a manager's own risk aversion can affect how much risk management is used. The presence of a corporate risk officer could be a deciding factor. The risk manager's education and background were mentioned as key factors. To the best of our knowledge, no research or testing has been done on variables like the degree of decentralization, the number of subsidiaries, or the level of education of the risk manager as indicators of the amount of financial risk management applied at SMEs. Along with the size component, these three new variables are included in this study as potential determinants.

2.3.4 Farzaneh (2017) Risk management practices and SMEs: An empirical study on Turkish SMEs

Farzaneh did analysis on risk management techniques and SMEs in Turkey in 2017. The study finds that SMEs are crucial to the growth of the domestic economy. SMEs are more flexible and adaptable as an organization than large businesses. They are very vulnerable to threats since they have a weak structure and few resources. Therefore, the development and success of SMEs depend heavily on risk management strategies and practices. Identification of prospective risks and estimation of their likelihood and potential severity are steps in the risk management process. Dealing with identified hazards and making decisions regarding them is a crucial part of the risk management process. The objective of the current study is to conduct a more in-depth analysis of the current situation of risk management in Turkish SMEs.

The goal of the study is to ascertain how dependent SMEs are on the industrial sector and what risk-management strategy they use. The sample was created using information from 2000 Turkish SMEs. 192 of the total 200 responses have been determined to be qualified responses for statistical analysis. Multiple choice and categorical questions with nominal and ordinal scales have been used to collect data. Cross-tabulation and Chi-square test results have frequently shown evidence of relationships and associations between variables.

2.3.5 Candice (2015) How does risk management in Small-medium Enterprise (SMEs) contribute to the company's financial growth in UK Midlands.

The impact of risk management on the financial growth of small- to medium-sized businesses (SME) in the West Midlands, UK, was examined by Candice (2015). In the normal course of business, SMEs are exposed to numerous hazards, including interest rate risk, foreign exchange risk, natural calamities, and others that could reduce their profit while increasing their financial loss. This study illustrates how SMEs can limit their financial loss due to risk exposure by putting in place the appropriate risk management instruments through interviews with the risk managers of the SMEs. The interview mostly focuses on how SMEs manage risks, how much money they spend on it annually, and how they employ risk management in their operations to reduce dangers. Diverse perspectives on how risk management influences a company's financial growth, research methodology, research timeframe, and research constraints are also covered.

2.4 Research Gap

Regardless of the suggested risk management model, the literature review showed that researchers have not evaluated risk management practices in the context of organizational growth and that there hasn't been any connection found between risk management practices and actual corporate development. Because of this, studies have not come to a thorough and conclusive understanding of how risk management strategies impact organizational growth. The researcher provided a conceptual framework to fill this gap.

2.5 Conceptual Framework

Figure 2. 1: Conceptual Framework

Source Primary Data, (2022)

From the above figure 2.1 shows the conceptual framework whereas SME's growth is dependent on risk management. This means SME's growth dependable variable and risk management is the independent variable.

2.5 Summary

With a good understanding of the subject at hand, this chapter concentrated on the literature review. Two theoretical frameworks were presented in the chapter, both of which were compatible with the study's goals and questions. Finally, this chapter compared the work that has previously been done by other scholars and what is being overlooked regarding the subject.

CHAPTER III

RESEARCH METHODOLOGY

3.0 Introduction

Choosing the best research approach is crucial for accurately portraying reality in any significant research. The majority of this chapter will be devoted to research methodology. Research methodology is a broad approach to analyzing a research problem. This chapter looked at the organizational method used to collect the data. It looked at the research sample, demographic, data gathering techniques, data presentation, and analysis plan.

3.1 Research design

A case study descriptive research approach was used by the researcher. The study used a descriptive research design to gather thorough information on the factors affecting the growth and development of small and medium businesses in Zimbabwe.

3.1.1 Descriptive research

The study known as descriptive research aims to accurately represent the participants. A descriptive research can be conducted in three different ways: through observation (lab, field, and naturalistic observation), case study, and survey. A case study is a detailed analysis of a person or group of people, whereas an observation is a way of watching and recording participants, and a survey is a quick conversation with a respondent about a particular research issue (Canals, 2017).

3.1.2 Justifications for using the case study descriptive research resign

A real-life example the researcher will be able to conduct an in-depth investigation using a descriptive research approach. The researcher chose a descriptive study design because it is simple, authentic, and provides guidance on how to record research questions. The research's data is descriptive in nature. Case studies, according to Rebolj (2017), aid in the examination of causal meanings as well as the acquisition of detailed and relevant data. It will also aid in the collection of complete data and the provision of a more accurate description of the situation by respondents. The researcher will be able to acquire valid and reliable data thanks to the intensity of descriptive investigation.

3.1.3 Research Approach

This research used a mixed research approach where both qualitative and quantitative research design. This method assisted the researcher to collect all significant data. The case study gave the opportunity and flexibility to study a single unit intensively, eliminating the researcher's partiality and subjectivity. Hence, the researcher was in a better position to attain accurate information about the topic studied. The information was confirmed by means of a questionnaire, key performance interview, focus group discussions and documentation of some available secondary data.

3.2 Target population

The target population, according to Rubin and Babbie (2017), is a collection of elements from which we can select the sample. Hanlon (2021) goes on to define a population as all of the persons or units of interest, notwithstanding the fact that data for practically all of the individuals in the population is often unavailable. According to the Ministry of Women Affairs, Community, Small and Medium Enterprises 2022 report, the population of Harare, Aspindale is 58 SMEs.

3.3 Sample size

The method through which statisticians pick individuals of a population in order to make an educated guess about the population is known as sampling.

A typical sample size, according to Braun and Clarke (2016), is the amount of examination in a subset of the population under consideration. Yamane equation was used to create the sample size.

Below is Yamane equation;

The Yamane equation is $n = \frac{N}{1+Ne^2}$.

Where n = Sample size

N= Population size

e = Margin of error

Source: Yamane, (1967)

The sample size is 58/ [1+58x (0.05)2] =50 responders using the formula N/ (1+Ne2). "It can alternatively be described as a finite subset of a statistical population whose properties are investigated in order to learn more about the entire population." 2016 (Saunders). He goes on to say that the sample size in mixed research is usually modest. A random sampling survey was used with a sample size of 50 people. This was calculated using the Krejcie and Morgan (1970) model, which reveals that a population of twenty people is sufficient.

3.4 Random sampling

The applicants who took part in the study were chosen at random from the target population by the researcher. The sampling method utilized has the advantage of saving money and time in the preparation of the sample, as well as obtaining more relevant, dependable, and accurate data. The approximations, on the other hand, have uncontrolled variability.

3.5 Data Sources

3.5.1 Primary data

This is the first time data has been collected. Data was gathered through interviews. Structured or unstructured interviews can be conducted in person, over the phone, or by email. It offers the advantage of providing the researcher with direct information from the respondents. However, acquiring the essential information through primary sources can be costly and time consuming

3.6 Research Instruments

3.6.1 Interviews

To acquire information, the researcher performed personal and telephone interviews. The utilization of interviews aids in the in-depth exploration of themes. Semi structured and open-ended questions were used in qualitative research interviews. The interviews were done by the researcher with important informants who were to provide pertinent information. Semi structured interviews, according to Saunders, Lewis, and Thornill (2016), have a list of themes and essential questions to be covered. Furthermore, according to Henderson and Bialescki, referenced in Lantai (2017), open ended questions encourage respondents to elaborate on their comments. Furthermore, it provides for extra questions that aid in the exploration of the research's findings. Interviews, in particular, provided for speedy responses and space for clarifications of what the questions required, as well as improved communication through facial expressions.

3.6.2 Questionnaire

For the purposes of a statistical investigation, a questionnaire is defined as a group of questions in print and inscribed with definite choices of answers (Zohrabi, 2018). There were two questionnaires created, one for committee members and the other for employees. 6 out of 10 when collecting data and scaling replies in survey research, a Likert Scale to the questionnaire emailed to respondents was employed. The researcher's Likert Scale for this study is as follows: never (1), rarely (2), occasionally (3), often (4), mostly (5), and always (6). There were numerous benefits and few drawbacks to a well-designed questionnaire. Participants who received the questionnaire by mail were able to respond and participate at their leisure. It was simple to connect data gathered using this method. Questionnaires, on the other hand, lacked validity since some respondents exaggerated or lied. Other methods were used to increase the quality of the confirmation provided by the questionnaire.

3.7 Data collection procedure

The researcher began by delivering a letter to the company, requesting permission to do research. Appointments with the key informant people chosen in the sample were made after approval. The researcher brought up concerns about secrecy and freedom from harm that could have a negative impact on the informants.

3.8 Data presentation and analysis

The data was analyzed using a qualitative technique approach. The qualitative approach comprises a systematic investigation of people's activities in a socially meaningful manner to arrive at an understanding of how they develop and sustain their social environments. Thematic analysis, which comprises discovering patterns of meaning throughout a data collection to provide an answer to the research issues being addressed, was utilized to analyze the data. The patterns are chosen after a comprehensive data familiarization, coding, theme development, and revision process. Content analysis was used to assess qualitative data, which resulted in discussions of findings in relation to earlier study findings. The researcher will be able to draw some conclusions from the study through the data analysis method.

3.9 Validity and Reliability

Validity is likely the most significant criterion for determining a test's quality. Validity refers to whether or not a test measures what it promises to measure. Items on a test with high validity are closely related to the exam's expected topic. A pilot interview was done with two participants from the sample to see how they felt about answering the questions.

Reliability is defined by Joppe, as cited in Golafshani (2018), as the degree to which outcomes are consistent throughout time. Sanderson and Thornhill (2020) emphasized the importance of convincing and trustworthy qualitative research. In social research, the researcher must meet four requirements for trustworthiness: credibility, transferability, dependability, and conformability. The degree to which a person's reactions remain consistent over time is also an indicator of trustworthiness. The instrument employed was accurate and appropriate for the research being conducted. The researcher was able to achieve validity and reliability by encouraging and assuring that the informants felt at ease and free to answer all of the questions without fear of being judged. The questions were also made basic and easy to understand. The researcher contacted the respondents at the right time, when they were not in a hurry, and gave them plenty of time to react. In addition, key informants, who are people who are directly touched by the research problem, were interviewed.

3.10 Ethical Considerations

The field investigation was carried out in accordance with ethical standards. The researcher requested permission from the organizations to perform this research, and they upheld the confidentiality agreement. All respondents were handled equally and with respect by the researcher because the questionnaires were the same for the whole sample size. A letter with the researcher's contact information was included with each questionnaire when it was originally given, in case the respondents felt the need to get in touch with her. The confidentiality of the data and their individual viewpoints will be rigorously maintained, it was stated in this letter. Data security and participant anonymity were secured at every stage of the research process, particularly by making sure that the questionnaires contained no information that may reveal.

3.11 Summary

In this chapter, the researcher's data collection approach was highlighted. The study's research design, research population, data sources, and data collection and analysis methods have all been disclosed, along with the benefits and drawbacks the researcher discovered while gathering the study's data. The analysis and presentation of study findings will be the main focus of the following chapter.

CHAPTER IV

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.0 Introduction

This chapter covers the data presentation, analysis and discussion of the research at hand. The data presentation was done with the aid of the SPSS package. This was done in a bid to provide answers to the investigation into risk management in SME`s growth. The presentation of findings was done in line with the research objectives of the study.

4.1 Response rate

Table 4.1 indicates how respondents performed in comparison to how they were anticipated to perform;

Table 4. 1: Response Rate

Instrument Used	**Anticipated Response**	**Actual Response**	**Response Percentage**
Questionnaire	50	40	80%
Interview	10	10	100%

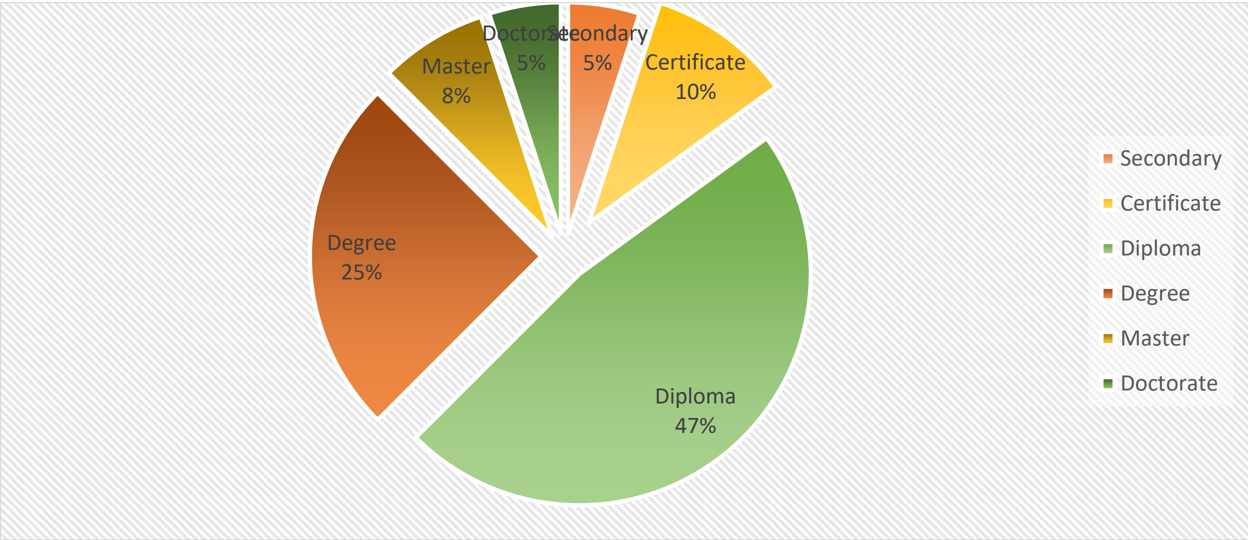
Source: Primary Data, (2022)

For this study, the questionnaire and interview guide each had response rates of 80% and 100%. The individuals who were interviewed took part in the circulated questionnaire as well. According to Samutary et al. (2019), a response rate of 50% is sufficient to represent the entire population. As a result, there were enough participants in the study to complete it.

4.2 Demographic Information

To determine if the appropriate respondents were chosen for the data collection for this research, the study presents respondents' personal data in this area.

4.2.1 Education Level

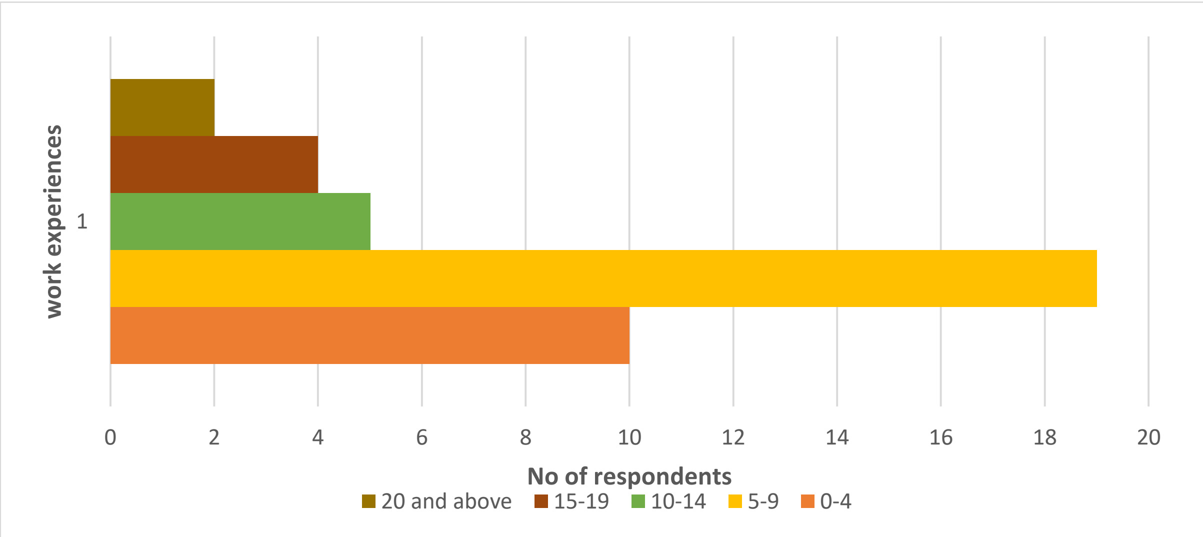


Source: Primary Data, (2022)

Figure 4. 1: Education Level

The various degrees of education attained by respondents are depicted in figure 4.1 above. The least frequent are individuals with doctorates and secondary education, while certificate holders are the most prevalent. Since all of the respondents were literate, the data was reliable.

4.2.2 Working Experience

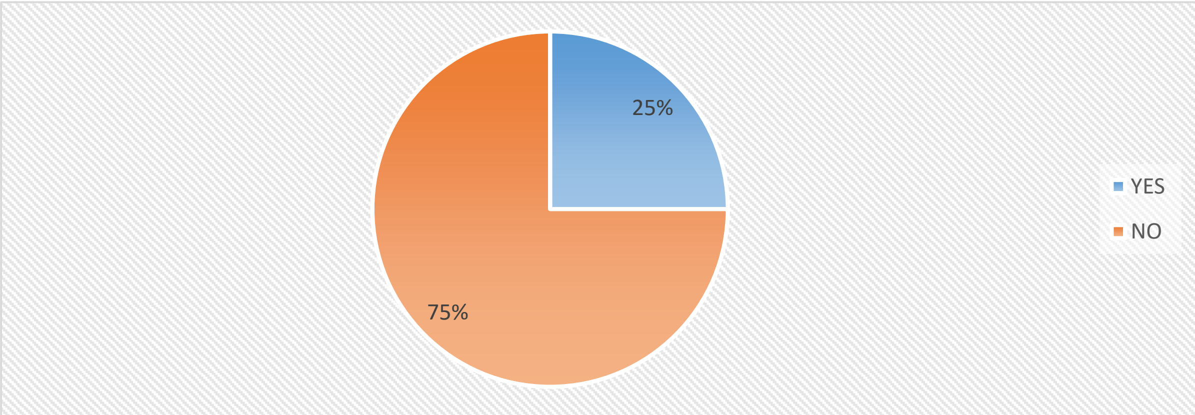


Source: Primary Data, (2022)

Figure 4. 2: Working Experiences

The majority of responders have worked under SMEs for 5-9 years and more. This indicates that the majority of people can provide information in a trustworthy manner.

4.2.3 Presence of business related education on respondents

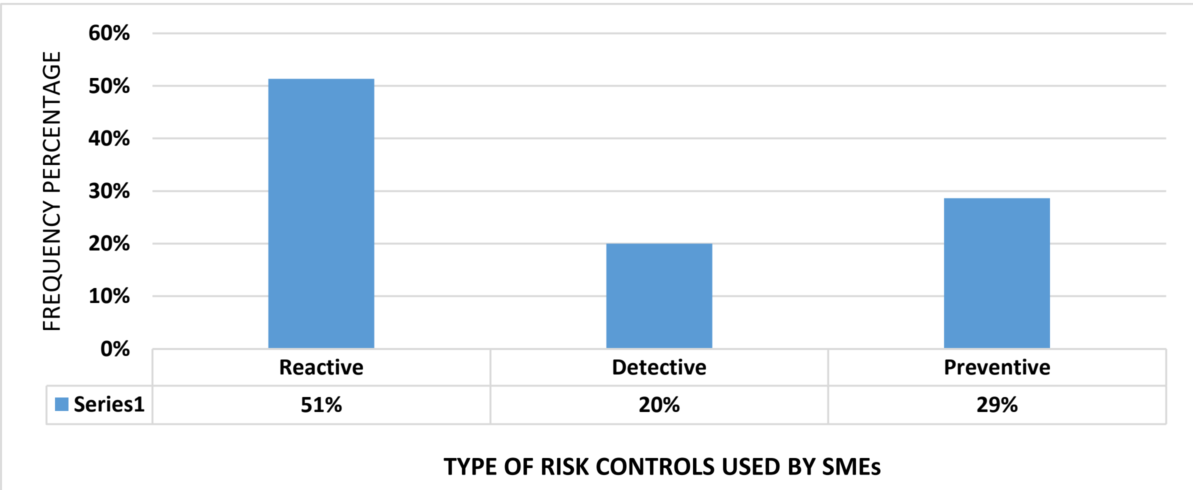


Source: Primary Data (2022)

Majority of the respondents have no business related education qualification. Only 25% poses business related education. According to Zwikael and Mark (2019) in their study the effectiveness of risk management in New Zealand and Israel found out that those who manage business without business knowledge use reactive approach of managing risk as compared to proactive risk management used by those with business related knowledge. The researcher further states that reactive risk management lead to business failure as the damage would have already be done.

4.2.4 Types of risks management controls Used by SMES

Figure 4. 3: Types of risks management controls Used by SMES

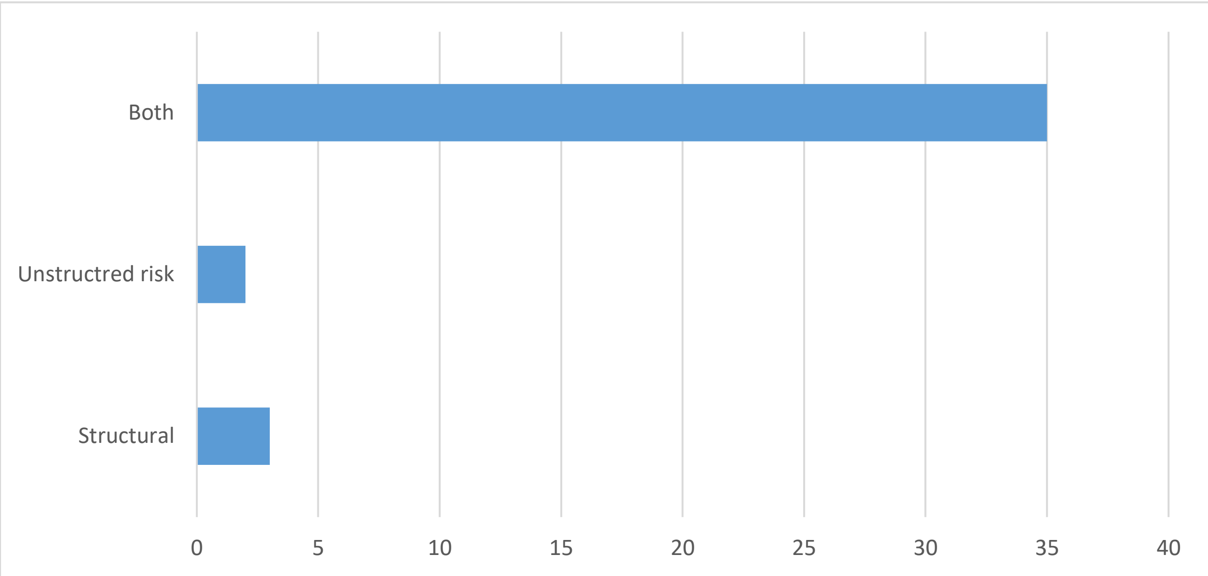


Source: Primary Data, (2022)

The findings about the controls used by the SMEs are illustrated in the figure above in Figure 4.3. According to the graph, 50% of the respondents said they use reactive data management strategies. The figure also shows that they use detective methods of risk management, which is shown by a 20% response rate. The results also show that 29% of respondents said they use preventive methods of risk management in SMEs. This meant these SMEs did not make effort to find future problems and they try to solve them.

4.2.5 Types of risk on SMEs in Zimbabwe

Figure 4. 4: Types of risk on SMEs in Zimbabwe



Source: Primary Data, (2022)

The respondents felts that both structural and unstructured risks where prevalent in SMEs in Zimbabwe. Unstructured risk seemed to be less then structural comparing the respondents which choose the two prior risks.

4.2.5 Response on risk management importance

Table 4. 2: Statistics

Importance of risk management in respondents' firm

N	Valid	40
	Missing	0
Mode		1.00
Skewness		.424
Std. Error of Skewness		.374

Source: SPSS, (2022)

Table 4. 3: Importance of risk management in respondents' firm

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	24	60.0	60.0	60.0
	No	16	40.0	40.0	100.0
	Total	40	100.0	100.0	

Source: SPSS, (2022)

The two tables above table 4.2 and table 4.3 shows statistics and frequencies respectively. The mode of the respondents answered 1: yes. This meant most participants felt that it was important for a firm to have risk management strategies. 40% of the respondents did not find it was necessary for a firm to have risk management strategies. According to Haddara, (2011) the zeal to have risk management strategies is not for every firm, some firm owners are afraid of have risk management strategies because it is expensive and this tallies to the findings of this study.

4.2.6 Advantages and disadvantages of having risk management strategies

Question 4 of the questionnaire open-endedly asked respondents to state what they thought where advantages and disadvantages of having risk management strategies at their firm. Most respondents put advantages of have risk management strategies as compared to disadvantages.

"*In my own opinion having risk management strategies has many advantages which includes the ability to buy thing in large amounts which is usually cheaper and gives a firm the ability to control prices, a big firm also covers larger surface area for fast reputation creation and big profit margins. On the other hand, it is hard to control and manage a big company." (Respondent 5,* ***October 2022, 19).***

"*I think some of* having risk management strategies *advantages are more customers, reliable supply, cooperate social responsibility as the major employer and source of money for most people in the community nearby, more strength to survive competition and can be able to create barriers to market entry to other competitors in many ways. However, being big means more responsibility and burden to face, the government will be needing it taxes and will know the exact amount due to forced audits and company account publications, everyone's eye will be on the company any slight mistake which small companies can get away with, can lead to loss of good will in big companies. It is also had for a big company to get donating when it is in of funding when small companies are being given" (Respondent 23,* **October 2022, 19***)*

Majority of answers from other respondents revolved around the above given.

4.3.3 Factors affecting risk management strategies of Smes

Table 4. 4: Statistics

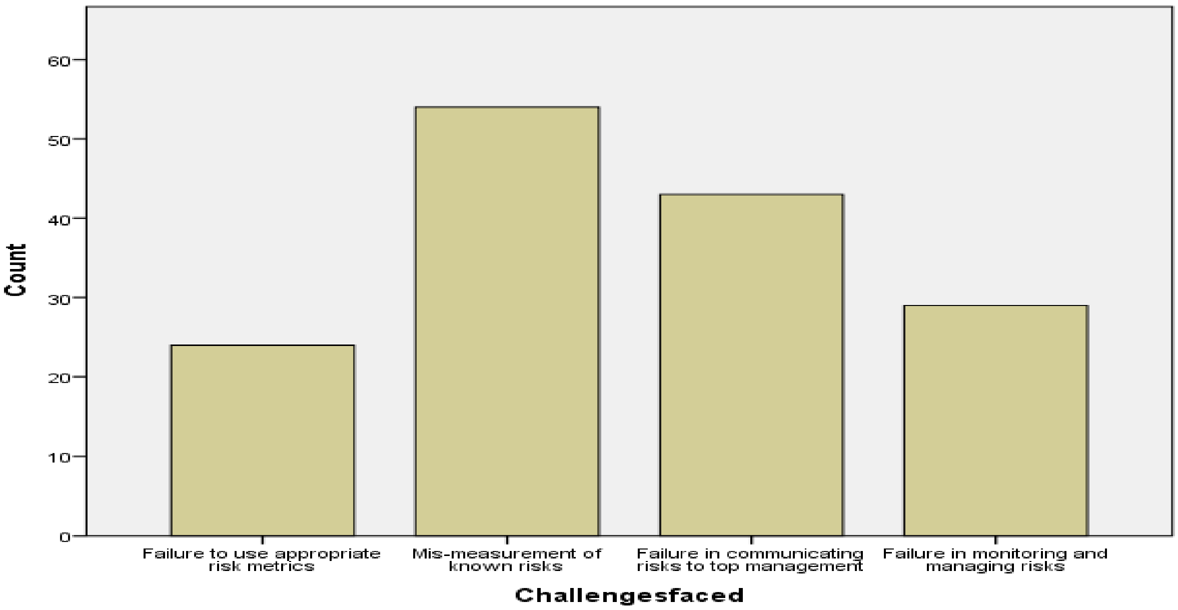
		Lack of funding	Lack of knowledge and experience of running a business	Poor Marketing Strategies	Not knowing what customers need	Poor relation ships with supplier s	Bad resource manage ments	Fear of growing big	Others
N	Valid	40	40	40	40	40	40	40	40
	Missing	0	0	0	0	0	0	0	0
Mode		5.00	4.00	3.00	3.00	3.00	3.00	4.00	4.00
Std. Deviation		.67511	.59052	.63246	.98417	.85896	.71567	1.01147	.68687
Kurtosis		-.470	.008	.801	.324	.429	2.803	.338	-.799
Std. Error of Kurtosis		.733	.733	.733	.733	.733	.733	.733	.733

Source: SPSS, (2022)

According to table 4.4 above the major factor affecting SMEs is lack of funding with a mode of 4, Std Deviation of 0.67511 and Kurtosis of -0.47. The respondents were asked to indicate how they felt about factor affecting SMEs using a likert scale where 1, 2, 3, 4,5 and 6 were never, rarely, sometimes, often, mostly and always respectively. Least factor affecting having risk management strategies of SMEs was Poor marketing strategy. Other factors which were raised by respondents are; strategic drifts, dead of the business's major player like the sole owner, most smaller to medium enterprises rely on one person or on few people, lack of proper technology to use, use of unskilled employees, and poor accounting.

4.3 Challenges faced in risk management by SMES

Figure 4. 5: Challenges faced in risk management by SMEs



Source: Primary Data, (2022)

The figure above shows the findings which were obtained on the challenges faced by SMES in managing risk. The figure illustrates that the main challenges include; failure to use appropriate risk metrics, mismeasurement of known risks, failure in communicating risks to top management and failure in monitoring and managing risks. The figure indicates that 16.67% (25) participants have it that the failure to use appropriate risk metrics is one of the major concerns in the business fraternity especially for the SMEs. The figure above also vindicated that, the other great challenge which is bedeviling the proper management of risk in the SMEs is on the issue of mis-measurement of known risks. From then findings, a total of 36% (54) respondents participated. In addition, the above figure also indicated that, failure in communicating risks to top management of various SMEs is accounted as the major challenge which the SMEs are facing and 28% (42) participants responded to this.

4.4 Correlations

Table 4. 5: Correlations between risk management strategies and the SMEs growth use.

		RiMagstra	Controlsused
RiMagstra	Pearson Correlation	1	-.164*
	Sig. (2-tailed)		.044
	N	150	150
Controlsused	Pearson Correlation	-.164*	1
	Sig. (2-tailed)	.044	
	N	150	150

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

Source: Primary Data, (2022)

The table above depicts the findings which were obtained, it indicates that, there is a week positive correlation of 0.044 between risk management strategies and the SMEs growth used.

4.4.1 Spearman's correlations between risk management strategies and the SMEs growth.

Table 4. 6: Spearman's correlations between risk management strategies and the the SMEs growth.

Correlations

			RiMagstra	Controlsused
Spearman's rho	RiMagstra	Correlation Coefficient	1.000	-.177*
		Sig. (2-tailed)	.	.030
		N	150	150
	Controlsused	Correlation Coefficient	-.177*	1.000
		Sig. (2-tailed)	.030	.
		N	150	150

Source: Primary Data, (2022)

The table above in figure 4.6 illustrates the Spearman's correlations between risk management strategies and the risk management controls used. The table indicates that there is a week positive correlation of 0.030 between risk management strategies and the risk management controls used.

4.5 Discussion

In carrying any study, it is pertinent to dwell on the discussion of findings so as to pave way for solving the problem at hand. The discussion of findings section managed to cover the findings on line with the literature which was supplied in the literature review section of this study.

The findings also revealed that the participants from the SMEs section are more schooled with certificates, diplomas, degrees and masters as the main academic achievements. But, few participates did have business related education. More so, all participates had 5 years and more working experience but they used more of reactive approach of risk management. According to Zwikael and Mark (2019) in their study the effectiveness of risk management in New

Zealand and Israel found out that those who manage business without business knowledge use reactive approach of managing risk as compared to proactive risk management used by those with business related knowledge. The researcher further states that reactive risk management lead to business failure as the damage would have already be done.

According to the findings risk management gives the ability to purchase items in bulk, which is typically less expensive and allows a firm to control prices, a larger surface area for quick reputation creation and large profit margins, more customers, a reliable supply, cooperative social responsibility as the primary employer and source of income for the majority of people in the community nearby, more strength to survive competition, and the capacity to erect barriers to market entry are all advantages. Henschel, Beasley and Brustbauer (2016) in their research enterprise risk management in SMEs: towards a structural model in Zambia found out that SMEs' current risk management strategies include sourcing goods at a low cost so they can sell them at a competitive price, marketing their products with banners and social media platforms, applying for bank loans to supplement their capital, and choosing high quality from the beginning so they can sell high quality.

The findings of this study reveal that there is a weak positive correlation between risk management strategies and the risk management controls used. This was indicated in the study which was carried out by Serveas and Tamayo (2019) came to the conclusion that 15% of all companies which fail is due to inadequate management of financial risks. According to a Graydon survey conducted in 2014, poor risk management techniques, such as lax administration and credit control, account for 18% of SME bankruptcies around the world.

The findings of this study also depict that there are a lot of challenges which affect the management of risks in SMEs. As obtained from the study, it was indicated that the major findings are failure to use appropriate risk metrics, mismeasurement of known risks, failure in communicating risks to top management and failure in monitoring and managing risks. In the same vein, the study by Falkner and Hiebl (2015) came to the conclusion that SMEs need a suitable risk management process and that further empirical research is needed on risk identification, risk analysis, strategy implementation, and control. However, family businesses, which make up the bulk of SMEs, exhibit a lower adoption of risk management in 2019, particularly in family businesses with a family CEO.

From the findings on the controls employed by the SMEs in managing risk, it can be noted that they mostly employ the reactive approach as alluded to by 51% of the participants. From these findings, it can be revealed that most SMEs they wait for the risks to show up so that they can manage them. These findings were in line with the study which was done by Farzaneh (2017) who did his study in Turkish SMEs. He indicated that although the SMEs are vital in building the nation in which they are operating in, they lack proper resources to detect the risks when they are in there primacy stage and this affect their operations and the profitability.

4.6 Summary

This chapter dwell on the findings which were obtained and presented in a bid to provide answers to questions on the investigation into risk management in SME`s. Data was presented using tables and bar graphs obtained though using the Microsoft and SPSS package. The subsequent chapter concentrate on the summary of findings, conclusion and recommendations.

CHAPTER V

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter is designed to present the summary of the major research findings and a comprehensive discussion of these results based on the authentic evidence presented in Chapter IV. This chapter is also structured to outline the conclusions of the study and proffer policy recommendations. This chapter is very important as it gives concrete evidence highlighting the extent at which the objectives of the study were met by directly answering the research questions. The last section of the chapter suggests probable areas in which future studies may be focused.

5.1 Summary of findings

The study was on an investigation of risk management strategies on small to medium enterprise's growth. It was intended to answers the following objectives; to explore SME's awareness of risk and risk management; to check how SMEs are managing risk to ensure their business's growth; to determine the risk management challenges faced by SMEs as they grow; and to generate ways to curb the risk management challenges faced by SMEs to ensure business growth.

From the findings, it was noted that;

The ability to purchase items in bulk, which is typically less expensive and allows a firm to control prices, a larger surface area for quick reputation creation and large profit margins, more customers, a reliable supply, cooperative social responsibility as the primary employer and source of income for the majority of people in the community nearby, more strength to survive competition, and the capacity to erect barriers to market entry are all advantages.

The findings indicated that participants in the SMEs sector have acquired various academic achievements which include certificate, diploma, degree and masters.

The findings also indicate that there is a week positive correlation of 0.044 between risk management strategies and the risk management controls used.

The findings also indicate that the main challenges faced when trying to manage risks are as follows; failure to use appropriate risk metrics, mismeasurement of known risks, failure in communicating risks to top management and failure in monitoring and managing risks.

From the findings obtained on the controls employed by the SMEs, it was indicated that 50% of the respondents indicated that, they employ reactive ways of managing data. The findings also depict that they also employ the detective methods of managing risk and this was indicated by a 20% response rate. The findings also depict that 29% of the respondents indicates that they use the preventive ways of managing risk in SMEs.

5.2 Conclusion

From the findings above it can be concluded that,

SMEs are facing a lot of challenges in the management of various types of risks. The challenges are increased by shortages of resources to hire professional risk advisors.

Since SMEs are mainly operating on a small scale, they usually use reactive approach to risk management as they do not have the team to proactively detect the risk before it transpires.

The risk identification and treatment are poor in SMEs and this led to various challenges in managing the risk.

With poor risk management practices in SMEs, these firms are continuing operating on a small scale with minimum stocks which triggers some sudden shocks which can lead to losses. With poor risk management practices, the level of corruption and fraud in intensifying due to poor tracking of compliance by various managers.

5.3 Recommendations

From the above conclusions made, the following recommendations are forwarded;

5.3.1. SMEs regulators

Regulation of SMEs is very critical since these firms have a major contribution to the growth and development in a country. The regulators need to impose a control which push the SMEs to have proper structures to capture risk management.

5.3.2 SMEs Managers

The SMEs managers are the gatekeepers for various SMEs, in this regard, they need to monitor the risk management proceedings in every SMEs so that their growth can be noticed in the short and long-term.

5.3.3 Potential Investors

As the focal people who can invest into the any firm, the investors need to check the organizational set-up of various SMEs so that they can influence the construction of sound and robust risk management schemes.

5.4 Recommendations for further studies

The current research recommends that future studies to be conducted on the relationship between IT innovation and risk management in SMEs.

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APPENDIX A

I'm a fourth-year student at Bindura University of Science Education with the registration number of **B1953918.** I am humbly asking for your help in order to solve some questions I have regarding the research subject at hand because I am currently doing a study. "**An investigation of risk management strategies on small to medium enterprise's growth** " is the subject of the study. The responders are given the assurance that any information they supply will be kept confidential and used only for academic purposes. If they choose not to, respondents are free to choose not to answer any of the study's questions. Participants may discontinue participation in this study at any time by notifying the researcher; there will be no consequences.

Please put a tick (√) where applicable and add some information on the blank space where possible.

SECTION A: BIOGRAPHIC INFORMATION

1. Highest Academic Qualification

Ordinary level ☐ Degree ☐

Advanced level ☐ Masters ☐

Diploma ☐ Doctorate ☐

2. General work experience in years

0- 4yrs ☐ 15- 19yrs ☐

5- 9yrs ☐ 20 and above ☐

10- 14yrs ☐

3. Do you have a qualification which is business related

Yes ☐ No ☐

4. **What is your comment on the level of knowledge on risk management in SMEs?**

   High ☐

   Moderate ☐

   Low ☐

PART TWO: COMPANY INFORMATION

5. **Which is the most common type of risk at your firm?**

   Structural risk ☐ Unstructured Risk ☐ Both ☐

6. **Do you think risk management important to your firm?**

   Yes ☐ No ☐

7. **In your own opinion what are the advantages and disadvantages of risk management to growth in Zimbabwean SMEs?**

   ....

   ....

   ....

8. **SMEs have high level on the knowledge of risk management**

Never	Rarely	Occasionally	Often	Mostly	Always

9. **To what extend do you understand risk management practices employed in SMEs?**

   Greater Extent ☐ Lesser Extent ☐

SECTION C:

10. **Which of the following are risk management practices used by SMEs?**

Identifying the risk ☐ analysing the risk ☐

Prioritize the risk ☐ monitoring the risk ☐

Treating risk ☐

SECTION D:

11. Level of acceptance of risk management practices in SMEs

25% ☐ **30%** ☐

45% ☐ **50%** ☐

75% ☐

SECTION E:

12. To what extent do you think the following factors affect growth and development of SMEs in Zimbabwe?

Tick the extent using the following key; never (1), rarely (2), sometimes (3), Often (4), mostly (5), and always (6)

	Factors	**1**	**2**	**3**	**4**	**5**	**6**
1	Lack of funding						
2	Lack of knowledge and experience of running a business						
3	Poor Marketing Strategies						
4	Not knowing what customers need						
5	Poor relationships with suppliers						
6	Bad resource managements						
7	Fear of growing big						
8	Others..........................						

13. What are the difficulties encountered during the risk management implementation?………………………………………………………………………

………………………………………………………………………………………

………………………………………………………………………………………

14. Suggest solution to the above mentioned challenges

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THE END