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EFFECT OF PROPENSITY TO TAKE RISK ON THE PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN KENYA

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ABSTRACT

Small and medium firms are increasingly becoming important in any economy in the world. Productivity growth and consequently economic growth is strongly influenced by the performance of SMEs positively if more are born and thrive and negatively if they die and exit. Less than one-half of small start-ups survive for more than five years, and only a fraction develops into the core group of high-performance firms which drive industrial innovation and performance. The purpose of this study was to determine the effect of propensity to take risk on the performance of small and medium enterprises in Kenya. The study adopted survey research design focusing on a population of 268,100 licensed small and medium enterprises in Nairobi County in Kenya, from which a sample of 400 firms were selected through a multi-stage probability sampling method where stratified sampling method was used first and then simple random sampling from the strata for the 17 constituencies under the Nairobi county.

Quantitative data was collected using questionnaires and analyzed using Statistical Package for Social Science (SPSS) and Microsoft Excel. These findings implied that SMEs owner/managers in Kenya had different levels of propensity to take risks. SMEs owner/managers that were found to be sensitive to risk avoided risk taking activities while those less risk averse engaged in the risk-taking activities. However, majority of the SMEs were found to be risk averse which explains why there was high mortality among SMEs in Kenya. Propensity to take risk among small and medium size enterprise is attributed to high performance. The study concluded that SMEs shy away from taking risks and majority prefers traditional and established revenue channels which limit the businesses from achieving competitive advantages over competitors.

Keywords: *Propensity, Risk, SMEs Performance, Kenya*

BACKGROUND OF THE STUDY

According to Forlani and Mullin (2000) propensity to take risk is the perceived probability of getting the rewards linked with success of an anticipated situation, which is required by a person before he or subjects themselves to the consequences associated with failure, the alternative situation providing less reward as well as less severe consequence than the proposed situation. Dhliwayo and Vuuren (2007) describe risk taking as an important element of the strategic entrepreneurial mindset which is because risk-taking is necessary for the success, development and growth of a business, which is based on how entrepreneurs recognize or perceive and cope with the risks in their environment.

Small and medium enterprises play a major central role in regard to entrepreneur skills, innovation and employment across the world (Kinyua, 2014). They contribute to more than one third of GDP in emerging and developing economies and account for 34% and 52% of formal employment respectively (OECD, 2018). The important roles SMEs play in the economy of every nation has continued to be crucial in broadening the sources of national income, improving the competitiveness and economic development and contributing to the sustainability, flexibility and resilience of economies (Harrigan, Ramsey & Ibbotson, 2011). Such roles include: entrepreneurship, innovation, productivity, competition, job creation, diversification, earning and growth in many economies of the world (Gilmore, Galbraith & Mulvenna, 2013). For any economy world over, small and medium enterprises contribute greatly to job creation, create significant domestic and export earnings, contribute to the universal wellbeing and welfare of economies and are key instruments in poverty reduction (Muiruri, Bwisa, Muturi & Kihoro, 2017).

Small and medium enterprises make important contributions to development of any countries, of the 350 million industrial-commercial units with over two billion staff currently working in the world, more than 90% of them are SMEs (Al-Swidi & Al-Hosam, 2012). According to Organization for Economic Co-operation and Development (OECD), SMEs represent more than 95% of enterprises in the world and ensures 60 to 70% of employment. Formal SMEs contribute up to 45% of total employment and up to 33% of national income Gross Domestic Product (GDP) in developing or emerging economies (Moshe, 2012; OECD, 2010). Inter-American Development Bank defines SMEs as having a maximum of 100 employees and less than $3 million in revenue. In Europe, they are defined as having manpower fewer than 250 employees and United States define them with employees less than 500 (Natarajan & Wyrick, 2011).

The impact of SMEs in established or developed economies or countries is also very key and is considered as the main source of employment and income generation (Oladapo & Onyeaso, 2012; Ong & Ismail, 2012). Similarly, the SMEs also has critical role in developing countries. In developing countries, a significant proportion of population is directly or indirectly dependent upon the SMEs. Hence, the input of SMEs is highly recognized at the global level and this has informed authorities around the world to give more focus on SMEs (Shelley, 2004). The future of Africa development lies to a large extent in the hands of its indigenous SMEs. These are the firms that will create most of the private sector jobs that a rapidly growing labor force is craving. These are the firms that will meet surging African demand for products and services. These are the firms where local entrepreneurial talent will grow and realize it self. And these are the firms that will become the future champions of African industry. Likewise, a lot has been said of the development role of the African entrepreneur (Liedholm & Mead, 2013), but if entrepreneurs never succeed in breaking through the enterprise barrier and build viable and sizable organizations, their role in economic development will stay restricted. It is important to note that SMEs are the main source of employment in established and emerging economies or nations alike, comprising over 90% of African business operations and contributing to over 50% of African employment and GDP (Okafor, 2009).

The SMEs play a key role in triggering and sustaining economic growth and equitable development in both established and emerging countries. According to Government of Kenya Sessional Paper No.2 of 2005 on Development of SMEs cut across all sectors of the country's economy. They also offer one of the most productive sources of employment, not to mention the breeding ground for entrepreneurs in small, medium and large industries, which are crucial for development and industrialization. An essential element in development of the SME sector in Kenya is the aspect of entrepreneurial mindset (Munyaka, Ouma & Ndirangu, 2015). We have many SMEs spread across Kenya which produce and provide different products and services that offer jobs to both low and middle level income sectors of the economy and this number has been rising every year. Seeds of future business or enterprise performance are sown in the initial stages of business life cycle and the understanding of the same enable entrepreneurs to run sustainable businesses (Bwisa, 2013).

Small and medium enterprises play a significant role creating jobs or employment opportunities to a large proportion of Kenyans more than any other sector. Small and medium enterprises constitute 98% of all business in Kenya, create 30% of the jobs annually as well as contribute 40% of the GDP. Approximately 720,000 new jobs were created, this is 86% of all new jobs in the 'Juakali' or informal SME sector in 2015 as compared to 120,000 (14%) in the formal sector the same year. SMEs created 3.7 Million in 1999 which grew to 12.6 million in 2015. The worth of SME's output is estimated at Ksh 3,371.7 billion against a national output of Ksh 9,971.4 billion representing a contribution of 33.8 per cent in 2015. In terms of gross value added, the SMEs are estimated to have contributed Ksh 1,780.0 billion compared to Ksh 5,668.2 billion for the whole national economy (Kenya National Bureau of Statistics, 2016). However, according to KNBS (2016), a total of 2.2 million SMEs were closed in Kenya in the last five years, 2016 inclusive and on average, businesses were closed at the age of three years and eight months.

Nairobi County is the home to thousands of Kenyan businesses and over 100 major international companies and Organisations (Ochola, 2013). There are approximately 268,100 registered SMEs in Nairobi County which fall under four main sectors mainly manufacturing, real estate activities, wholesale & retail trade and services (Kenya National Bureau of Statistics, 2016). According to KNBS (2016), a total of 2.2 million SMEs were closed in Kenya in the last five years, 2016 inclusive and on average, businesses were closed at the age of three years and eight months.

The dilemma then is what causes these SMEs to close shop. Some scholars have argued that the death of SMEs is because of the perceived mindset of its owners identified as one of the major causes of SMEs failure rates. Others have said entrepreneurial mindset is an important success factor for SMEs without which a business will fail (Nieman, 2006; Dhliwayo & Vuuren, 2007; Alasadi & Sabbagh, 2015; Tyoapine, Teddy, James & Ringim, 2016; Ngek, 2012; Asenge & Agwa, 2018). However, the results obtained in previous research on entrepreneurial mindset are far from conclusive and there is need to progress research to add knowledge in this area and contribute to the growth of small and medium enterprises in Kenya. It's against this background that the current study sought to establish the effect of propensity to take risk on the performance of small and medium enterprises in Kenya.

THEORETICAL LITERATURE REVIEW

Risk-taking propensity is motivation of interest, which emerged from McClelland's (1961) original research on entrepreneurs. McClelland claimed that willingness to engage in relatively high levels of risk-taking behavior enables entrepreneurs to seize profitable opportunities in the face of uncertainty which leads to long term profitability. This claim by McClelland is especially interesting for entrepreneurship research because the entrepreneurial process involves acting in the face of uncertainty. Liles (1974) argued that entrepreneurs often must accept uncertainty with respect to financial well-being, psychic well-being, career security, and family relations. Moreover, several theories of entrepreneurship view the entrepreneur as bearing residual uncertainty (Venkataraman, 1997).

Knight (1921) observes an entrepreneur in terms of uncertainty, risk and profit and held that profit is a return for bearing with uncertainty and not bearing risks. In other words, profit is the return left behind for or with the entrepreneur for bearing or contending with the uncertainty in business. Knight made a very clear distinction between what is considered as a risk and uncertainty. Risk can be classified as calculable or non-calculable risk (Bianchi & Henrekson, 2005) where calculable risks are those whose chance of occurrence can be predicted or anticipated through statistical data. Such risks include risks due to theft, fire or accidents and are calculable and therefore can be insured in exchange for a premium. This amount of premium can be added to the total cost of business production (Emmett, 2010). On the other hand, the non-calculable risks are those whose probability of occurrence cannot be determined, these could include risks such as the strategies of a competitor which cannot be correctly measured as well as the cost of eradicating the competition cannot be accurately calculated (Emmett, 2010).

It can be argued that the Knightian theory of entrepreneurship is a refinement of the theory by Cantillon (Hebert & Link, 1988). The latter also argued that entrepreneurship is closely connected to risk/uncertainty but did not recognize the important distinction between the two. However, the Cantillonian entrepreneur is also an arbitrageur who ensures that the economy is in equilibrium-a function which is not entrusted to the entrepreneur as described by Knight (Hebert, 1981). In the context of this study, Knight's theory of risk, uncertainty and profit brings out the link between risk and uncertainty and profits or performance of the SMEs in Kenya. The theory also guided the research in understanding the risk propensity which was an independent variable for the study and its effect on performance of SMEs in Kenya.

EMPIRICAL LITERATURE REVIEW

According to Wang and Poutziouris (2010) empirical studies done in developed and transition economies suggest that risk taking as a firm-level strategic posture constitutes a potential source of competitive advantage and has positive, long-term effect on growth and financial performance of SMEs. The significance of risk taking and its influence on firm performance has been highlighted in both theoretical discussions and empirical research. At the theoretical level, the willingness to engage in relatively high levels of risk-taking behavior enables SMEs to seize profitable opportunities in the face of uncertainty which leads to long term profitability (Subrahmanya, 2011).

An important dimension of the entrepreneurial spirit is risk taking propensity. Propensity to take risks is necessary for the success, sustainability and growth of an enterprise and how entrepreneurs identify and cope with risks in their surroundings or environment (Kimandu, 2016). The view of some writers is that small business owners, entrepreneurs, and business managers, world over identify their role in making risky decisions as somewhat similar, despite the fact that risk management is culturally conditioned. The attitude of entrepreneurs is that they take risks only after carefully analyzing the situation at hand (Ahmad & Seymour, 2008).

Entrepreneurs, in actuality, tend to proactively deal with the risks. Risk-taking has strong relationship with performance of entrepreneurial firms. Research suggests that entrepreneurial firms exhibiting moderate levels of risk-taking would outperform in market as compared to firms exhibiting either very high or very low levels of risk taking (Kreiser & Davis, 2010). However, process of forming a risk problem, results of past risk-taking and the ability to perform under risky conditions affect the risk-raking ability of entrepreneur (Dimitratos, Lioukas & Carter, 2004). The importance of risk taking and its influence on business performance has been highlighted in both theoretical discussions and empirical research. At the theoretical level, the willingness to engage in relatively high levels of risk-taking behavior enables SMEs to seize profitable opportunities in the face of uncertainty which leads to long term profitability (McGrath, 2001). Empirically, risk taking firms are able to secure superior growth and long-term profitability in contrast to risk avoiders (Ahimbisibwe & Abaho, 2013).

RESEARCH METHODOLOGY

The study adopted descriptive research design through survey research using both quantitative and qualitative methodologies. According to Aggarwal (2008) descriptive research is devoted to the gathering of information about prevailing conditions or situations for the purpose of description and interpretation. The choice of this design is informed by the fact that entrepreneurial mindset is a precise state of mind which positions people or individuals towards entrepreneurial actions and outcomes which can easily be described and information acquired through such description (Karanja, 2012)

According to Kenya National Bureau of Statistics (2016) there were 1,560,500 licensed to operate SMEs in Kenya, hence the total population of licensed SMEs in Kenya is 1,560,500. These SMEs are spread out in all the 47 counties in Kenya with Nairobi County carrying the majority. The target population of this research consisted of all licensed small and medium enterprises in Nairobi County, Kenya which according to Kenya National Bureau of Statistics (2016) are estimated to be 268,100 in number (Kenya National Bureau of Statistics, 2016).

This study applied multi-stage probability sampling method. In the first stage stratified sampling method was used to divide the SMEs into 4 strata according to SME sectors (manufacturing, real estate activities, wholesale & retail trade and services) with each sector forming a stratum. Stratified random sampling was found to be appropriate as it enables the researcher to characterize not only the total population but also crucial sub-groups of the population. Stratification also helps reduce standard error by providing some control over variance. The technique also provides a better comparison across strata (Saunders *et. al.*, 2007). In the second stage, a simple random sampling method was used to select representative samples from each sector. This allows equal probability of all individuals in the defined population to be selected as a member of the sample (Kombo & Tromp, 2006). This sample size of 400 SMEs was calculated using the formula developed by Cochran (1963) as cited by Singh and Masaku (2014).

Table 1: Sampling Table

Industry	**Population**	**Sample**	**Percentage**
Manufacturing	28,419	42	10.6
Real Estate Activities	7,480	12	2.79
Wholesale & Retail Trade	111,262	166	41.5
Services	120,939	180	45.11
Total	**268,100**	**400**	**100**

The data analysis included both descriptive and inferential statistics. This study adopted regression model to test the effect of propensity to take risk on performance of SMEs.

The regression model of the study was as follows:

$$Y = \beta_o + \beta_1 X_1 + \varepsilon$$

Where: Y is the performance of the SMEs

β_o= Is a constant which represents the performance of SMEs when the independent variable under consideration are zero.

X_1 = Propensity to Take Risk Index

β_1 represent the coefficient of X_1

ε represents the error term.

RESULTS AND DISCUSSIONS

In this study a response rate of 84% (335 out of 400) was obtained. This response rate was considered to be high based on the proposition by Babbie (2004) who argued that a response rate of above 50% is adequate for a descriptive study. The response was attributed to readily available SMEs, managers and owners at the time of the study. The regions targeted by the study are crowded by SMEs who showed great interest in the study.

Descriptive Statistics Results

The study sought to establish whether SMEs took risk in resources allocation, their level of risk avoidance and overall risk perception among the SMEs in the study population. The research required the respondent to indicate the percentage of profit they could attributed to risk behavior they had engage in. The findings show that only 0.9% of the SMEs indicated that over 80% of their profits could be attributed to risk taking, 11.6% indicated 51 to 80%, 30.7% indicated 31 to 50%, 19.1% attributed 11 to 30% of the profit to risk taking while 34.9% attributed less than 10% of their profits to risk taking behavior (see Table 2).

The finding implied that majority of the SMEs indicated that risk taking resulted in less than 50% of their profits which points to reduced level of propensity to take risk among small and medium size enterprise in Kenya. Lack of risk taking or risk averse is risky in itself since its limits small business from exploiting more lucrative business opportunities and maybe a beginning of the business failure. This view is supported by Subrahmanya (2011) who argued that willingness to engage in relatively high levels of risk-taking behavior enables SMEs to seize profitable opportunities in the face of uncertainty which leads to long term profitability. Kimandu (2016) also suggested that risk taking is crucial for the achievement and development of an enterprise and how entrepreneurs identify and manage risks in their surroundings or environment. Kreiser and Davis (2010) also agreed that suggested that risk-taking has strong relationship with performance of entrepreneurial firms.

Table 2: Percent of Profit Attributed to Risk Taking Behavior

Category	**What percentage of your profits is attributed to your risk-taking behavior**
less than 10%	34.9
11-30%	19.1
31-50%	30.7
51-80%	11.6
Over 80%	3.7
Total	**100**

The descriptive results on the statements used to measure the level of propensity to risk among SMEs in Kenya are shown in Table 3. The study asked whether SMEs sought credit as a means of funding our business activities. The study finding showed that 51.3% and 26.3% of the respondents agreed and strongly agreed respectively. The statement had a mean of 4 which further confirmed that majority agreed (see Table 3). On whether SMEs had a strong tendency to commit resources for high risk, high return projects, the results showed that respondents had varying opinions as indicated by mean response of 3. These implied that some SMEs agreed (45.5%) that they committed resources for high risk, high return projects while other disagreed (19.3%).

The study findings further revealed that SMEs owner and managers handled big losses and disappointments with varying level of difficulty as indicated by 38.9% who agreed that they handled losses and disappointment with little difficulty and 23.8% who disagreed with the statement. The findings also showed that slightly below 50% disagreed that employees are encouraged to experiment and take business risks without reference to the manager/owner. These findings implied that in a large proportion of the SMEs in the study population employees were not allowed to engage in risk taking activities without the consent of the SMEs owner/managers. The findings also showed that respondents were also divided on whether they would promote someone with unlimited potential but limited experience to a key position over someone with limited potential but more experience, with 25.6% agreeing, 33.4% disagreeing and 32.5% remained neutral in regard to the statements. This was also an indication of risk averseness among the SMEs in Kenya.

The study sought to find out whether SMEs owners/mangers never shy away from taking up an opportunity due to the risk of failure. The results showed that 37.6% of the respondents agreed, 25.4% disagreed while 26.9% remained neutral. The finding shows that 60% agreed that they always tend to venture into new business areas products or services (see Table 3). The finding finally showed that the respondents were divided as shown by mean response of 3 on whether taking business risks makes good sense only in the absence of acceptable alternatives with 35.0% and 10.0% agreeing and strongly agreeing respectively while 24.0% and 8.2% disagreeing and strongly disagreeing respectively.

These findings implied that SMEs owner/managers in Kenya had different levels of propensity to take risks. SMEs owner/managers that were found to be sensitive to risk avoided risk taking activities while those less risk averse engaged in the risk-taking activities. However, majority of the SMEs were found to be risk averse which explains why there was high mortality among SMEs in Kenya as reported by KNBS, (2016). Propensity to take risk among small and medium size enterprise is attributed to high performance. This position has been supported by previous study which include Subrahmanya (2011), Kreiser and Davis, (2010), Kimandu (2016) who argued that willingness to engage in relatively high levels of risk-taking behavior enables SMEs to seize profitable opportunities in the face of uncertainty which leads to long term profitability. They further argued that risk taking is needed for a business to succeed and grow and how entrepreneurs perceive and manage risks in their environment has strong relationship with performance of entrepreneurial firms.

Table 3: Descriptive Results on Propensity to Take Risk

Statement	SD	D	N	A	SA	Mean	Std Dev
We sometimes seek financial credit as a means of funding our business activities	1.8%	9.9%	10.7%	51.3%	26.3%	4	0.96
We always have a strong tendency to commit resources for high risk, high return projects	0.9%	19.3%	25.3%	45.5%	9.0%	3	0.93
I can handle big losses and disappointments with little difficulty	2.7%	23.8%	27.1%	38.9%	7.5%	3	0.99
Employees are encouraged to experiment and take business risks without reference to the manager/owner	9.0%	40.7%	22.6%	24.1%	3.6%	3	1.04
I would promote someone with unlimited potential but limited experience to a key position over someone with limited potential but more experience	3.6%	33.4%	32.5%	25.6%	4.8%	3	0.96
We never shy away from taking up an opportunity due to the risk of failure	0.9%	25.4%	26.9%	37.6%	9.3%	3	0.98
We always tend to venture into new business areas products or services	3.0%	10.7%	16.1%	60.0%	10.1%	4	0.91
Taking business risks makes good sense only in the absence of acceptable alternatives	8.2%	24.0%	22.8%	35.0%	10.0%	3	1.14
SD (1)- Strongly Disagree D (2)-Disagree, N (3)-Neutral, A (4)-Agree SA (5)-Strongly Agree							

Correlation Analysis of Self-Efficacy and SME Performance

The study adopted correlation analysis to test the association between independent variables and dependent variables. The importance of Pearson correlation analysis is that it gives the strength of the association between two variables and takes on values ranging -1 and +1. The strength of the correlation increases as Pearson correlation values approach 1. Pearson correlation analysis between propensity to take risk and Performance of SMEs revealed r=0.409, p=0.000, which also implied that propensity to take risk had positive correlation with Performance of SMEs in Kenya (see Table 4). These findings implied that increasing propensity to take risks would result to increase in Performance of SMEs in Kenya. This view is supported by Subrahmanya (2011) who argued that willingness to engage in relatively high levels of risk-taking behavior enables SMEs to seize profitable opportunities in the face of uncertainty which leads to long term profitability. Kimandu (2016) also hypothesized that risk taking is necessary for the success, development and growth of a business and how entrepreneurs recognize and manage risks in their environment.

Kreiser and Davis, (2010) also agreed that suggested that risk-taking has strong relationship with performance of entrepreneurial firms. Lack of risk taking or risk averse is risky in itself since its limits small business from exploiting more lucrative business opportunities and maybe a beginning of the business failure.

Table 4: Correlation Matrix

		Propensity to take Risk	SME Performance
Propensity to take Risk	Pearson Correlation	1	.409**
	Sig. (2-tailed)		0.000
	N	335	335
SME Performance	Pearson Correlation	.409**	1
	Sig. (2-tailed)	0.000	
	N	335	335
** Correlation is significant at the 0.05 level (2-tailed).			

Linear Regression Model Fitting for Self-Efficacy and SME Performance

Coefficient of Determination

The findings of model summary revealed R=0.409 and R-square = 0.167 which implied that propensity to take risk was strongly correlated with Performance of SMEs (R=0.409). However, R-square =0.167 revealed that propensity to take risk accounted for 16.7% of the variation in Performance of SMEs other factors held constant. The finding therefore confirmed that propensity to take risk significantly influenced Performance of SMEs.

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.409a	0.167	0.165	0.80289
Predictors: (Constant), Propensity to take Risk				

ANOVA Results and Model Significance

The study employed ANOVA to test the significance of the regression model used to ascertain the relationship between propensity to take risk and performance of small and medium size enterprises in Kenya. The null hypothesis tested was model is not statistically significant, therefore since f-computed =66.979 with p=0.000<0.05. At this point the null hypothesis that propensity to take risk do not significantly affect Performance of SMEs was rejected. The model used to predict the effect of propensity to take risk on Performance of SMEs had a good fitness.

Table 6: ANOVA Results and Model Significance

ANOVA		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	43.176	1	43.176	66.979	.000
	Residual	214.661	333	0.645		
	Total	257.838	334			
Dependent Variable: SME Performance						
Predictors: (Constant), Propensity to take Risk						

Regression Coefficients

The study used regression coefficients to test the effect of propensity to take risk on performance of small and medium size enterprises in Kenya. These findings were also the basis for hypotheses testing and optimization of the regression model.

Table 7: Regression Coefficients

	β	Std. Error	Beta	t	Sig.
(Constant)	1.094	0.24		4.561	0.000
Propensity to take Risk	0.59	0.072	0.409	8.184	0.000
a Dependent Variable: SME Performance					

The research hypothesis was to test whether propensity to take risk had a significant effect on performance of small and medium size enterprises in Kenya. In the regression analysis propensity to take risk had regression coefficient β=0.59, with a corresponding p=0.000. The coefficient $\beta = 0.59$ was significantly different from 0 with a p-value=0.000 which was less than 0.05. T-statistics computed 8.184 was greater than t-critical 1.96 at 0.05 significance level, this implies that the null hypothesis β_1=0 was rejected implying that propensity to take risk had significant effect on performance of small and medium size enterprises in Kenya. This position has been supported by previous study which include Subrahmanya (2011), Kreiser and Davis, (2010), Kimandu (2016) who argued that willingness to engage in relatively high levels of risk-taking behavior enables SMEs to seize profitable opportunities in the face of uncertainty which leads to long term profitability. They further argued that risk taking is needed for a business to succeed and grow and how entrepreneurs perceive and manage risks in their environment has strong relationship with performance of entrepreneurial firms.

CONCLUSION

This study concluded that risk taking is needed for a business to succeed and grow and how entrepreneurs perceive and manage risks in their environment has strong relationship with performance of entrepreneurial firms. The study established that propensity to take risk had positive and significant effect on performance of SMEs in Kenya. The study concluded that owners of SMEs that take risks also stands a chance of performing better than those that are risk averse. The study further concluded that majority of SMEs owners shy away from taking risks and majority prefers traditional and established revenue channels which limit the businesses from achieving competitive advantages over competitors.

RECOMMENDATIONS

Based on the findings, the study recommends that SMEs should take calculated risk and commit resources in high risk, high return projects, practice how to handle big losses and disappointments and finally encourage their employees to experiment and take business risks. This will ensure that they reap heavily from the risk-taking activities. The study further concluded that SMEs owners need to be trained by relevant stakeholders and development partners on the need for risk taking in the entrepreneurships. Risk taking is an integral part of the entrepreneurship and entrepreneurial venture cannot grow with high levels of risk taking.

CONFLICT OF INEREST

No potential conflict of interest was recorded by the author.

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