

**Identifying Risk Management Strategies of Small, Medium and Micro Enterprises in Retail
and Manufacturing Industries in UMhlathuze Municipality**



**University of
Zululand**

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Commerce in Business Management, University of Zululand, South Africa 2021**

CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the University of Zululand a dissertation entitled **Identifying risks management strategies in SMMEs retailers and manufacturing industries in uMhlathuze Municipality** in fulfilment of the requirements for the award of a dissertation degree in Business Management of the University of Zululand.

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DEDICATION

This Dissertation is dedicated to my precious daughter “Asimbone Azande”, my beloved family and my lovely brothers and sister “Khulani, Lindani and Nondumiso”.

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Few people have contributed meaningfully to the completion of this study. First and foremost, I thank the Almighty God who in His holiness allowed me to accomplish my master's studies.

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Abstract

Small, Medium and Micro Enterprises are usually seen as an important tool for improving living standard. Considering the importance of SMMEs to economic growth, job creation and poverty alleviation, there is a need to train small business owners and managers and to expose them to risk management strategies that will promote businesses and reduce high failure rate. SMMEs are lacking when it comes to risk management knowledge and skills, which contributes to their high failure rate. In addition, South African education system is lacking when it comes to educating and training SMMEs on how to run their businesses successfully, especially exposing small business to risk management strategies for them to be able to respond to different kinds of risks. Given this background, this study sought to identify risks management strategies for SMMEs in retail and manufacturing industry focusing on uMhlathuze Municipality. The researcher used primary data for this study. The study adopted a qualitative method approach where data was collected through semi-structured interviews. Purposive sampling was used to select 12 SMMEs of uMhlathuze Municipality: 6 from the manufacturing and 6 from the retail industry. Data collected from the participants was coded and analysed using themes and content analyses

The results from the study showed that the risks faced by SMMEs negatively impact daily activities of small businesses and it also results in poor performance on SMMEs. Such risks include financial risk, resource risk, credit risk, reputation risk, inflation risk, and corona virus. Therefore, there is a need to assist SMMEs and improve their growth, as it was found that the strategies, they used to be inadequate in mitigating the identified risks. Whilst all SMMEs involved in this study reported to be faced with risks, not all of them had specific risk management strategies in place to deal with such. However, it was found that among the risk's management strategies used by some SMMEs to fight risks are publicity and re-organizing. Use of private security, alerting customers about the price increase to ensure that they don't get a shock or prices when purchases, insisting on deposit payments and sticking to cash transactions were some of the strategies used. Fewer SMMEs have insurance for their assets. Additionally, some of the selected SMMEs attribute their survival to getting sponsorship from government and private sector, and access to credit markets through short term loans. Sequel to the findings of the study, it is recommended that SMMEs should be given more assistance in education and training in terms of the different kinds of risks they are facing.

Also, they need to be assisted with proper and quality strategies capable of keeping businesses protected and secured from risks, that will reduce risks.

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ABBREVIATION AND GLOSSARY

SMMEs Small Micro Medium Enterprises

OECD Organisation for Economic Co-operation and Development

VAT Value Added Tax

EC European Commission

CSR Corporate Social Responsibility

GRA Global Risk Alliance

NSW New South Wales

UK United Kingdom

US United State

EIU Economic Intelligence Unit

UPS Uninterruptible Power Supply

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CHAPTER 1

Introduction and Background of the study

1.1 Introduction

A positive and well-defined risk management process in small, medium and micro enterprise (SMMEs) has a significant impact on business strategies (Dvoesky, Belas & Gavurova, 2021) Furthermore, Gamxos (2016) argues that most literature today has focused on internal risks such as issues of cash flow, limited number of skilled personnel, limited exposure to training and poor access to funding schemes, which can hinder the growth of SMMEs. However, Ngoepe (2014) and Bendell (2017) opine that in the 21st century where business competition has risen coupled with the instability of the international system, numerous macro risks have emerged which have not been entirely captured by literature today from an African perspective. Thus, from an African perspective, risk management has not received the attention it deserves, and this is regrettable considering the increasing role that is being played by SMMEs in African economies. Cramton (2017) maintains that global financial shocks, government policy, theft and poor operating business environments have been some of the risks which have hindered the operation and growth of SMMEs in the African continent.

From a South African point of view, Botha (2019) argues that load shedding had become a major problem for SMMEs. According to Banda (2020) SMMEs are already struggling with the everincreasing electricity bill in the country, the addition of constant power cuts has made it more unbearable for small businesses and also resulted in huge losses in income. Moreover, while government have been speaking about the need to revitalise the SMME sector, however, little has been done to ensure its success and consolidation as more SMMEs continue to struggle to stay afloat. Regarding the future of SMMEs in South Africa, Bhorat (2018), comments that cheap imports, limited funding schemes and poor support from the state are major reasons why small businesses fail to develop. Meanwhile, considering their role in economic growth and their contribution to government income, the lack of support from government threatens economic growth and development, and further contributes to unemployment. This is because the failure of SMEs tends to lead to job loss for many in the society. For instance, most entrepreneurial activities take place in SMMEs which constitute 97% of all businesses in South Africa, generating 35% of

the gross domestic products (Chimucheka, 2013). Again, it can be argued that SMMEs have a positive contribution to economic growth of the country, create employment and help in poverty alleviation (Swart, 2010). Therefore, SMMEs play an essential role in the economy, and the Government of South Africa has identified SMMEs as the key in many issues facing the country such as economic growth, job opportunities, and social stability. This explains the importance of SMMEs in South Africa as they donate to production and to the economic welfare of the South African citizenry (Chimucheka and Mandipaka, 2015). Bajdor and Dragolea (2011) argue that South Africa is witnessing a growth in the number of entrepreneurial start-ups and through that SMMEs perform an imperative part in developing communities as they comprise a sizeable percentage of the workforce and are considered pioneers in implementing fresh concepts. However, Ismaila and Yusoffb (2020) comment that although SMMEs are regarded as performing crucial part in creating employment opportunities, stimulating economic growth and improving the general welfare of the society, the majority of SMMEs perform poorly and at times fail in their early stages. Therefore, not all of the SMMEs succeed in the field of business and become sustainable. Some of the factors that lead to failure of the majority of SMMEs include poor strategic planning, poor performance and lack of equipment (Bushe, 2019).

Khan, Inayat and Kiran (2019) state that small and medium sized enterprises account for 60 to 70 percent of jobs in most Organisational for Economic Co-operation and Development (OECD) countries. They also count for disproportionately large share of new jobs. In South Africa, SMMEs have been promoted since 1995, in order to meet the government's national growth objectives. However, Zeidy (2020) alludes that whilst SMMEs are key players in the economy and wider ecosystem of firms, in many countries and in particular, South Africa, the government is facing challenges of low growth, low investment and rising debt; thus, majority of the SMMEs may not succeed as they need more support from government. In addition, a number of scholars note the negative effects of different types of risks facing SMMEs (Bruwer 2013, Chakabva 2015, Gorzen 2015 & Sira 2016). Such risks can emanate from natural disasters, economic factors, financial factors or even idiosyncratic factors, and are detrimental to the survival of SMMEs (Ngoepe, 2014).

At a local level, the uMhlathuze municipality's objective is to develop and grow SMMEs. In this light, the municipality recognises SMME development as one of its key performance indicators

(Sithole, 2021). The Municipality has undertaken activities to promote SMMEs in different areas including the construction of the Richards bay SMMEs Park. However, the growth and survival of these SMMEs is not guaranteed as the IRMSA (Zhou & Gumbo, 2021). However, Zhou and Gumbo (2021) further identified 52 kinds of risks facing businesses in South Africa and SMMEs in particular. Alauddin and Chowdhury (2015) state that these challenges create difficulties for SMME survival as some of them are not adequately addressed by government authorities (Rahman and Yaacob, 2016). Risk sources such as load shedding, water supply and financial risks have become increasingly difficult for SMMEs (Chakabva & Tenengeh, 2020). As identified by IRMSA (IRMSA, 2017), SMME owners are not always aware of the risks they face and this exacerbates the problem as management of risk requires that the risks be identified and measured, whether quantitatively or qualitatively. Furthermore, the city of uMhlathuze has only recently up scaled its drive on promotion on SMMEs which justifies an inquiry into the extent to which SMMEs in the municipality have been surviving within the context of an array of risks that they are exposed to (Bozas, 2011)

In large enterprises, the management of risk is more formal and usually driven by top management through laid down policy (Gorzen & Renault, 2018). Studies that investigate risk management in medium to large corporations emphasize the adoption and implementation of Enterprise Risk Management (ERM) which is more formal and involves company specific policy for dealing with risks facing the firm (Hopkin, 2018). However, on the other hand, Kruger and Meyer (2021) argue that in SMMEs, risk management is more informal and not well structured, and thus it is not easy to assess whether risk management strategies in use are effective or not. In the South African context, several scholars have investigated risks faced by SMMEs and adopted management strategies with particular references to regional businesses (Araujo, Crema & Verbano, 2020). It was identified that risks are hindrance to business growth, and none of strategies seems to be effective and productive in improving failure rate of SMMEs. However, although there are risks that are hindrance to SMMEs growth, small businesses should consider attaining managerial skills, planning skills and other requirements that will assist in ensuring success to business. More of knowledge and well exposure to different challenges or different kinds of risks that are in the market they are really needed to small businesses, before entering the market small business should consider risks (Baporikar, Nambira & Gomxos, 2016). The current study seeks to contribute to

existing literature through identifying risks faced by SMMEs in uMhlathuze Municipality and also identifying risk management strategies that SMMEs in the region can adopt in order to improve their management of such risks. This section is of an introductory nature. Section 2 presents literature review and section 3 presents research methodology.

1.2 Background

The importance and contributions of SMMEs is recognised by many researchers as a driver of development economic through creation of jobs, poverty alleviation and growth economic. Burns (2016) emphasized that SMMEs are more operative and have more achievement tiers in growing and generating employment as well as providing elements of balancing income spectrum. Margaretha and Supartika (2015) add that their importance is also acknowledged by the government of South Africa which holds the notion that through the development, growth and sustainability of SMMEs, unemployment rate and poverty can be reduced in the country. Moreover, SMMEs contribute to the country's sustainable economic development (Oyekunle, Patra & Munchie, 2020). Regardless of the important contribution of SMME in the country, their failure rate is high due to the numerous risks they encounter (Dallas, 2011). The development and sustainability of SMMEs can no longer be attained by only enabling access to funding to entrepreneurs but also other management strategies such as risk management are projected to be understood, introduced and applied by small business owners, in order for their businesses to subsist and grow (Ekwere & Ekonomi, 2016).

Some researchers like Marcelino, Sadaba and Ezcurdia (2014) and Boubala (2010) are of the view that risk management can be an important tool in the reduction of SMMEs high failure rate. Chimucheka (2019) reveals that 70% of new businesses fail in less than 2 years of existence. Moreover, Giunipero, Denslow and Rynarzewska (2021) emphasises that a business continuity rate of 49% was higher than the established business ownership rate of (35%) in 2019. This implies that there are more businesses being closed, sold or otherwise discontinued. Researchers such as Kardes, Ozturk, Cavusgil and Cavusgil (2013) state that it is crucial for every business to practice risk management; otherwise they are liable to high chances of failure. Meanwhile, Boubala (2010) had earlier stated that investors and stakeholders all over the world are more interested in the growth of the business. However, there can be destructive measures of performance in the absence

of risk control and risk management (Berg, 2010). Most SMMEs have suffered big losses in market value because they failed to anticipate the interaction and associated complexity of multiple risks (Hubbard, 2020). Not all risk is unfavourable to the businesses, as most of them do take risks in order to make progress (Makridakis, 2017). In addition, Sadgrove (2016) states that without risks, there would be no reward. Therefore, the crucial issue becomes how businesses manage risk exposures encountered by them. Some researchers such as Ayandibu and Magigaba (2021) and Sithole (2021) reveals that SMMEs of uMhlathuze Municipality in retail and manufacturing industry are the ones that makes a huge contribution to the economic growth, in improving the standard of living and also in creation of job opportunities. Retail and manufacturing industry are the key drivers of uMhlathuze Municipality's economy, however these sectors faced by arrays of risks that threatens their development and sustainability. In addition, Okello, Okello and Zunckel (2020) further added that retail and manufacturing industry are the most sector that are faced by different kinds of risks, the majority of these SMMEs fail at their early stage of existence due to the risks they are facing, and due to lack of effective strategies on how to deal or respond to the risks. In addition Khatle, Malgas and Mason (2017) agree with the fact that retail and manufacturing industry are faced with many kinds of risks that poses a threat in their growth, however, researchers further added that they make a contribution in improving employment rate and also in economic growth Khatle, Malgas and Mason (2017).

1.3 Problem Statement

SMMEs in South Africa face a number of risks that threaten their survival and growth. This problem is exacerbated by lack of awareness on risk management strategies and the absence of formal, laid down procedures in the occurrence of a risky event. Whilst previous studies Mmbengwa (2009) and Urban (2012) have shown that SMMEs are the most important drivers of economic growth and job creation, observation indicates that most SMMEs operate with less consideration of risks that result into a failure of the businesses. However, Breedts (2018) reveals that most of these SMMEs faced with number of risks are the retailers and manufacturing industry, these industries faced by different kinds of risks that pose threats to their success.

The primary reason for the failure of businesses it has been shown that is the risks that they are facing Paradis (2013), Urban (2012) and Kagwathi (2014). As per the word of Kagwathi (2014), even the strategies they are using are not effective for their success. Whilst the problem of risk

management in SMMEs has received attention at the international and national levels, little is known about risk management of SMMEs in uMhlathuze Municipality. Therefore, this study seeks to identify some of the risks that are threatening the survival and growth of SMMEs in retail and manufacturing of uMhlathuze Municipality,

1.4 The aim of the study

The aim of the study is to identify risks management strategies of SMMEs in retail and manufacturing industry of uMhlathuze Municipality.

1.5 Specific Objective

- ✚ To identify the types of risks that affect retail and manufacturing SMMEs in uMhlathuze Municipality.
- ✚ To analyse strategies used by retail and manufacturing SMMEs in mitigating risks in uMhlathuze Municipality.
- ✚ To understand what implications the identified risks, have on business development and sustainability of retail and manufacturing SMMEs in uMhlathuze Municipality.
- ✚ To suggest new risk management strategies that can be adopted by retail and manufacturing SMMEs in managing risks in uMhlathuze Municipality.

1.6 Research Questions

- ✚ What types of risks affect retail and manufacturing SMMEs in uMhlathuze Municipality?
- ✚ What are the strategies used by retail and manufacturing SMMEs to mitigate identified risks in uMhlathuze Municipality?
- ✚ What implications do the identified risks present, especially in terms of business development and sustainability of retail and manufacturing SMMEs in uMhlathuze Municipality?
- ✚ What new risk management strategies can retail and manufacturing SMMEs adopt in managing the identified risks in uMhlathuze Municipality?

1.7 Intended contribution to the body of knowledge.

The study seeks to contribute to literature on risk management in SMMEs by focusing mainly on risk management strategies of SMMEs in the uMhlathuze Municipality. Existing literature does

not provide specific evidence on risk management strategies of SMMEs in uMhlathuze Municipality. Therefore, this study seeks to reveal risks that have been unnoticed on small businesses and also suggest strategies that will benefit SMMEs in uMhlathuze Municipality in overcoming failure in their businesses. The findings of the study will be published in selected journals, white papers and also will be reported directly to the SMMEs in uMhlathuze Municipality. The publications will benefit other scholars at the universities and secondary education for research purposes.

1.8 Preliminary Research Layout

Chapter 1 – Introduction

In this chapter, the researcher provides the introduction of the research by proving the background of the research, the identification of the problem. The knowledge gap is also highlighted, as well as the purpose of the research, the objectives and the questions guiding the study.

Chapter 2 – literature review

This chapter provides the literature review in relation to the risk's management strategies on SMMEs. The chapter indicates the ability of the researcher to identify the familiarity and a relationship to relevant prior research. The chapter gives the researcher an opportunity to integrate what was established before as credible knowledge by other researchers to what can be considered as new ideas in this research.

Chapter 3- Research Methodology

This chapter provides the research methodology. In this chapter, the researcher, identifies the reasons for the choice of approach as well as the method employed in conducting the research. The chapter also provides the information about the instruments for data collection used for this study. Other critical information such as target population and sampling as well as the field operations, data processing techniques are also outlined in this chapter to give a sense of the credibility of the data collection.

Chapter 4 – Presentation and interpretation of the findings.

This chapter presents the processed data. The researcher applied critical thinking skills together with the literature review provided in chapter 2 to analyse and interpret the findings.

Chapter 5 – conclusion and recommendation

This chapter presents the conclusion of the research report by providing a summary of findings and suggested recommendations to the risk management strategies on SMMEs of uMhlathuze Municipality.

CHAPTER 2

LITERATURE REVIEW

This Chapter presents reviewed relevant literature on risk management strategies on SMMEs in manufacturing and retail industries. The intention of this discussion is to outline different debates regarding the risks faced by SMMEs and strategies used to mitigate such, thereafter, alluding to uMhlathuze Municipality. The chapter starts by defining the SMMEs and providing concept of risks and risk management, types of risks faced by SMMEs, strategies of risk management used by SMMEs, theoretical framework and empirical literature. Thus section 2.1 provides the conceptual literature review, Section 2.2 discusses the types of risks faced by SMMEs, whereas section 2.3 discusses the risk management strategies. Theoretical framework is discussed in section 2.4 and section 2.5 covers the empirical literature. Section 2.6 concludes the chapter.

2.1 Conceptual Literature

2.1.1 SMMEs Definition

According to Dlova (2017), SMMEs are the combination of small businesses, micro and medium enterprises. SMMEs are composed of registered and unregistered businesses, the registered businesses pay tax, and the unregistered do not pay tax (Nyamwanza, Mavhiki, Mapetere & Nyamwanza 2014). However, Fox and Sohnesen (2016) said that though they are not registered and do not pay tax, they help in creating jobs opportunities by hiring employees to work for them, which is a solution of poverty reduction. Therefore, in this study, SMMEs are defined as contributors to economic growth, creator of more job opportunities and aider of poverty alleviation in the society.

SMME definitions can be broadly classified into two categories namely, the economic definition and the statistical definition. According to National Credit Regulator (2011), the business is viewed as small if it has a comparatively small share of the market under the economic definition, and it must be farmed by its owners. It should not be part of the larger enterprise. In contrast, the statistical definition counts the size of the SMME and its contribution to Gross Domestic Product (GDP), exports and employment. It compares the extent to which the SMME sector contribution has changed over time and across countries (National Credit Regulator, 2011). Fisher and Reuber (2000) argue that SMMEs are usually identified by the number of employees they have. Ndesaulwa

and Kikula (2016) define SMMEs in to three sorts, namely: assets, employees and annual sales. Other definition by Ayyagari, Beck and Kunt (2005) focuses on sales, investment level and total net assets. Ayyagari et al. (2005) states that businesses employing 0-250 workers in a private sector is considered to be an SMME. This definition in general has gained considerable importance in the economies of many countries in the world. The definition of SMME by the European Commission (EC) considers three different indicators, namely assets, staff headcounts and annual sales. The definition of SMMEs encompasses a very broad range of firms, some of which include formally registered, informal and non-VAT registered organisations (The DTI, 2008). A micro business is normally having 0-10 employees, whereas small business can be a number of 10-50 employees, a small business also has a higher turnover than a micro business and more money on its balance sheet. In addition, medium sized enterprises usually be made up to 250 employees (Jones, McCarthy and Patz, 2014). SMMEs account for 99% of all businesses and between 50% and 60% of a value added contributes towards jobs (Gem 2019/2020).

2.1.2 The importance of SMMEs

Aikaruwa and Sumari (2014) the importance of SMMEs in the economic development has been recognised by every country as a major tool for socio-issues. Ndubisi, Zhai and Lai (2020) state that economic development relies on the success of SMMEs development and growth. Furthermore, SMMEs contribute toward job creation, poverty reduction and sustainable economic development (Gamede & Uleanya, 2018; Gamede & Uleanya, 2020). It can be argued that most entrepreneurial activity take place in SMMEs. Peters and Naicker (2013) confirms that “SMMEs constitute 98 % of all businesses in Kenya, creating 30 % of jobs annually and contributing 30 % to the East African nation’s economy”. In addition, Bruwer (2017) further agree that 97% of all businesses in South Africa are formed by SMMEs, producing 35% of the Gross Domestic Product. Bushe (2019) is of the view that the South African government of 1994 identified development of SMME as a primacy in jobs creation to lessen the high unemployment rate. Small business development and entrepreneurship was perceived as a method of addressing the following generic developmental objectives in the country, which are: Job creations and other (Mwasalwiba, 2010). There has been increased attention paid to entrepreneurship because of the potential they have in improving the economic growth and creation of employment since the number of job seekers in the country has been growing rapidly (Carree & Thurik, 2010).

a) Poverty alleviation

Poverty is experienced throughout the world and research point out that poverty is on the increase in the developing countries than in developed countries (Okpara, 2011). Due to the negative effect of poverty in the South African economy, the government has identified SMMEs as a major tool for combating it. SMMEs make combination of resources used by the societies to produce goods and services for the society in which they operate (Priyono & Moin, 2020). Poverty is a major challenge and problem faced by people across the world. Hussain and Bhuiyan (2014) state that 2.47 billion people in 2013 were living in poverty in the world with an income of USD 2 or less a day. Majority of them were from developing or underdeveloped countries located in African and Asian continent (Rahman & Asombang, 2014). Meanwhile, between 1981 and 2013, there was a decline in the population of people living under poverty from 2.59 billion to 2.47 billion (Hussain, 2019).

The contribution being made by entrepreneurship development through creation of employment helps to reduce poverty (Maina, 2014; Gamede & Uleanya, 2018; Gamede & Uleanya, 2020). Meanwhile, Ogundele and Akinlabi (2012) state that the development of current entrepreneurs or start-up of new entrepreneurship increase social wealth by producing new market, new industries, new institution forms, new technology, net increase in actual efficiency and new jobs. Additionally, Jili and Masuku (2017) hold the view that SMMEs have been playing a vital role for the development of economic growth, moreover SMMEs play a role in assisting individuals living in poverty. The strategic importance of SMMEs in national economic development is widely recognised by many countries: developed and developing alike (Ayandibu & Houghton, 2017).

b) Equity and participation

The government of South Africa used a strategy of concentrating generally on the development of SMMEs in formerly disadvantaged community (Chimucheka, 2013). Ndebeni (2018) said that formerly disadvantaged communities are referred to the population that was previously disadvantaged by the apartheid and the policies that were implemented before 1994. SMMEs bring to life businesses that provide stability to the societies and uplift the economic development of the country (Zulu, 2017). The issue of income inequality is still a hindrance for the South African population and SMMEs are believed to be a solution to this problem (Bushe, 2019). However, Conses (2011) asserts that South Africa has a population of 52 million and women make up about

52% of the population, however men still constitute the majority of SMMEs owner in South Africa, and the number of women in businesses and entrepreneurs has increased dramatically. Shinnar, Giacomini and Janssen (2012) indicates that almost twice as many men as women become entrepreneurs and that these differences are consistent across a few countries. Pietera and Gensen (2014) argue that concept of gender and SMMEs limit women's ability to accrue social, human, and financial capital. Fraser, Bhaumik and Wright (2015) mention that limitations are placed on the ability of women to generate personal savings and to have credit histories that are attractive to resource providers and impactful on the growth of businesses. The South African government has contributed so much to the upliftment of female entrepreneurs (Chatter & Glaeser, 2014). For instance, countless businesses have been improved through governments intervention, many job opportunities have been created (Zokaei, Iovpns, Wood & Hines, 2013). In addition, these women entrepreneurs have made much improvement to the contribution of the South African economic growth (Belwal, Tamiru & Singh, 2012). However, Jabeen, Faisal and Katsioloudes (2017) state that women participating in meaningful entrepreneurial activities have, until recently been stifled for various reasons, including low education and as a result their level of involvement in sustainable and value adding entrepreneurial activity has been relatively low.

c) Social stability

It is globally acknowledged and approved that the SMMEs sector is an important factor in encouraging and achieving development and economic growth, as well as in employment and in the extensive creation of wealth (Nxumalo & Nadioo, 2018). Moreover, Rizos, Behrens and Hofman (2016) had earlier consent that numerous employments have been created by SMMEs; thus, many societies are dependent on SMMEs. In this regard, SMMEs are considered to be improving the standard of living of people in the society and contributing in the reduction of poverty (Ofolayan & Harpe, 2020). SMMEs are not only improving the society's standard of living or countries economy but also playing a role in mitigating high level of crime by creating more employment (Tsoka & Mmako, 2014). Meanwhile, Denison (2011) mentions that numerous factors seem to have impact on corporate strategies in the contemporary dynamic context, therefore generally economic development of nations can be measured in terms of gross domestic product, gross national income, inflation rate and employment rate. In addition, Raza, Minai and Tariq (2018) state that though majority of the firms in developing countries are SMMEs and have been

acknowledged as driver of the economy, 90% of small businesses contribute over 50% of employment worldwide, OECD have more than 95% of the entities as SMEs generating about 60%-70% of the employment (Raza, Minai & Tariq, 2018).

d) Contribution of SMMEs to Economic Growth and Development

The World Business Council for Development (2004) mentions that the key to the reduction of poverty is economic growth and development that reaches the majority of people. Wealth creation plays an important role in the process of the reduction of poverty. Thus, it should be targeted at advancing the enactment and sustainability of local entrepreneurs and SMMEs since they play a vital role in ensuring sustainable growth. Singh, Khamba and Nanda (2017) highlighted that Small firms are also a crucial source of innovation in the development of new products, services and technologies. Beside the highlighted contributions of SMMEs, there are other potential benefits of SMMEs in the society. Such benefits include the local citizen empowerment, competition among the developing businesses as well as a broader base and choice for the consumer (Thekiso, 2016). It also includes a reduction in crime rates, since instead of being lazy; citizens are productively engaged (Nkechi & Ikechukwu, 2012)

2.1.3 The Concept of Risk

i) Risk defined

The origin of the word risk is believed to be either the Arabic word ‘risq’ or the Latin word ‘risicum’ (Aven, 2012). The Arabic word ‘risq’ means anything God has given you and from which you draw profit.’ It is associated with unplanned and favourable outcome (Aven, 2012). The Latin word ‘risicum’ however, has connotations of an equally fortuitous but unfavourable event (Pama, 2016). Furthermore, a Greek derivative of the Arab word ‘risq’, which was used in the twelfth century, is related to chance outcomes in general and have neither positive nor negative implications (Gruyter, 2018). According to Reason (2016), most people think of risk as negative outcomes that pose threats to organisations; however, they could also be regarded as potential opportunities. On the other hand, Maliwatu (2018) defined risk as an object that can be demarcated as any subject that can influence the businesses objective. Kahneman and Tversky (2013) specified that risk indicates the uncertainty of what the results may be, and it constitutes any event that may alter the anticipated results of operating the venture. Risk can be defined as a danger, harm or loss

to businesses that seems to be uncontrollable at a times. It can be also defined as the blocking bridge of SMMEs to success, growth and development, as it hinders the improvement of businesses. More especially, if the business is not well exposed or lacks planning skills to strategize how to deal with risk or how to survive such.

ii) Definition of Risk Management

Risk management plays a fundamental role in an organisation's strategic management and every organisation is expected to have a clear risk management strategy. Durst, Hinteregger and Zieba (2019) state that risk management is the procedure whereby businesses precisely address the risks related to their operations with the aim of attaining prolonged benefit within each operation, and throughout the scope of all operations. Moreover, risk is expected to be a developing and endless process which runs across the business's strategy and the application of such (Elzahar & Hussainey, 2012). It is also expected to systematically address all the risks pertaining to the organisation's activities past, present and in particular, the future. Moreover, it must be integrated into the culture of the business with active policies in place (Kulkarni, Goerlandt, Li, Banda & Kujala, 2020). It should also transform the strategy into strategic and working goal, delegating responsibility across the business and employee(s) responsible for the risk management as part of their job description (Kaplan & Mikes, 2012). This maintains performance management, accountability and reward, thus stimulating operational efficiency at all levels (Demartini, 2014).

Aduda and Gitonga (2011) define risk management as the offsetting and recognition of the risks hindering the existence and profitability of a business. The definition is expanded as management activities and events by the company to lessen the damage or loss that may occur (Demartini, 2014). A further definition of risk management points to applying skills, knowledge, and risk management tools and techniques to ones' projects, in order to reduce threats to an acceptable level, while maximising opportunities (Glendon & Kennan, 2016). The Global Risk Alliance (GRA) and the state of New South Wales (NSW), attach the following definition to risk management in their Departments of States and Regional Development: "Risk management is the way in which adverse effects from risk are managed and potential opportunities are realised (Holzer & Yuval, 2004:1)." Therefore, risk management involves minimising factors that may have a negative impact upon a business. Demartini (2014) states that identifying and harnessing strategies that will help to achieve the goals and objectives of a business is also much important.

The New York Federal Reserve according to Sadgrove (2016) defines risk management as, a coordinated process for measuring and managing risk on a firm wide basis. Hopkin (2018) risk management is not about taking risks unwittingly but rather knowingly. Furthermore, an efficient risk management form permits an organisation to identify the risks in any project and take viable decisions on whether or not to take certain risks and how they are to be managed (Giannakis & Papadopoulos, 2016). Risk management and corporate governance is about how an organisation can identify and understand its risk to enhance its performance and deliver its goals (Rubino & Vitolla, 2014).

Risk management is perceived by Sahu, Shree and Kumar, (2014: 1248) as, “the discovering, prioritization and evaluation of risks followed by economic application and coordinating resources to lessen, monitor and control the impact of unfortunate events and enhance the recognition of opportunities”. Aven (2016) explains that for the future SMMEs cannot possibly identify its goals without risk management, therefore risk management is important. Chances are that a company loses direction if a company defines its objectives without taking risk management into consideration (Bromiley, McShane, Nair & Rustambekov, 2015). According to Bromiley, McShane, Nair and Rustambekov (2015), in recent years, many large corporations have added risk management department to their team, the role of this team in the organisation is to identify risks, and also motivate all members of the organisation to cooperate in adopting the necessary strategies.

2.1.4 Risk Management in the SMME Sector

The survival of a business is somewhat dependent on its capabilities to prepare and anticipate change rather than waiting for a change to happen to react to it. The goal of risk management is strictly to ensure that risks are knowingly deliberately. It should be clearly understood that the objective of risk management is not to prohibit taking risk, but to make sure that risk is consciously taken with clear understanding and complete knowledge to aid mitigation of such (Ekwere & Ekonomi, 2016). According to Musavengane, Siakwah and Leanard (2020), it is a fact that it is impossible for SMMEs to avoid financial, market, operational, strategic and environmental risks.

Due to the important role played by small businesses in creation of job opportunities, and reduction of unemployment, prior research regards SMMEs as significant to any economy, especially in

developing countries (Small Enterprise Development Agency, 2010; Salie, et al. 2014). SMMEs are liable of providing a projected 80% of all local employment opportunities and it is additionally confirmed by the fact that SMMEs contribute roughly 30% towards the GDP of South Africa. (National Credit Regulator, 2011). The work of Bruwer Coetzee and Meiring (2018) suggests that in South Africa SMMEs are responsible for employing an estimated 91% of the national workforce and they also make the contribution that is between roughly 30% and 50% to the national GDP. The National Credit Regulator (2011) states that SMMEs contribute significantly towards the maintaining of millions of households (i.e. of employees and/or business leaders). This results in poverty alleviation, reduction of inequality, maintenance of social stability as well as environmental solidity (SEDA, 2010).

2.1.5 Risk Management and SMMEs: A Global and National overview

SMMEs are seen as positive contributors to the economic growth of a country, and they are also seen as job creators within the different communities that they operate in. However, Chakabva and Tengeh (2020) states that regardless of their importance SMMEs are confronted by an array of risks which threaten their survival.

Brijlal (2013) argues that while SMMEs in Egypt are seen as important elements in an economy, not all SMMEs are effective, mainly because many do not survive the harsh operating environment and the mere fact that they do not have effective risks management strategies to overcome the risk. Moreover, Rostami, Sommerville, Wong and Lee (2015) state that looking at the status of United Kingdom SMMEs risks that confront small businesses have a negative effect on their growth, development, and overall consolidation. These SMMEs face different kinds of risks such as financial, resource, credit, reputational and many others which threaten their survival (Baporikar, Nambira, & Gomxos, 2016). Moreover, it has been argued that one of the reasons hindering small businesses from mitigating the impact of risks on their businesses is the lack of resources that can be used to mitigate the impact of risks (Mmbengwa, 2009).

Munjoma (2011) alludes that SMMEs are regarded as the backbone of the country due to creating more job opportunities and reducing poverty in Botswana, however not all of the SMMEs can be regarded as job creators and the backbone of the country due to the fact that some of them fail at their early existence because of unawareness of risks. Despite risks that are hindrance to SMMEs

growth and development, SMMEs lack skills and knowledge when comes to operating and running business successful. They likely to enjoy benefit and business profit at an early stage without considering business expenses. They also lack strategies on how to respond or deal with challenges they face.

2.2 Types of risks facing the development and sustainability of SMMEs

There are numerous types of risks that hinder the development and sustainability of SMMEs. Such risks are as presented and discussed below:

2.2.1 Financing risk

Baporikar (2016) reveals that financial risks have become major risks hindering the growth and survival of SMMEs in Egypt. Abor and Quartey (2010) state that in Hungary, financial risks are the major issue hindering any sector or any firm from growth. Therefore, this issue must be considered seriously if the small businesses are expected to grow and become established. Small businesses in Paris are struggling to attain finance from formal settlements and they tend to get start up finance and working capital from informal sources such as funders, relatives, and friends (Datta & Jones, 2012).

Performance and development of SMMEs has across the world been of great interest to among others, development economists, entrepreneurs, governments, venture capital firms, financial institutions, and non-governmental organisations (Chernobia, 2013). The SMMEs sector in Japan are in need for private sector and government assistance to secure extra finance which now account for approximately 90% of the country's employable population (Yoshino & Taghizadeh, 2014). However, the capability of SMMEs to develop depends highly on their potential to invest in innovation, restructuring, and qualification (Yoshino& Taghizadeh, 2014). Admittance to funding is the main issue for SMME in growth and development; therefore, all these savings need capital (Brown & Lee, 2019).

According to Mdadane (2020) SMMEs are the engines of the country's economic growth, SMMEs and micro businesses account for 95% of firms in most countries that was suggested by research. Ayandibu and Houghton (2017) SMMEs contribute to the GDP, they create job opportunities and satisfy local demand for services. SMMEs in Africa created about 80% of employment, establishing a new middle class and stimulating demand for new goods and services (Tassiopoulos,

2011). Moreover, Murphy, Carmody and Surborg (2011) further added that in Asia the regional and global economic slowdown has raised the need for a new growth model, strengthening business and economic opportunities for SMMEs to boost national productivity and social welfare. However, a long-standing problem with most SMMEs in Botswana and Africa as whole, is the lack of access to finance and credit particularly from financial institutions like commercial banks (Mutoko & Commerci, 2017).

According to Aigbavboa, Aghimien and Oke (2018), in Zambia, poor financial management is the major factor that contributes to SMMEs failure. Aigbavboa, Aghimien and Oke (2018) further stated that financial management is a very broad term, and it entails planning, organizing, control and activating. It is an important division for a business. SMMEs with poor financial management often fail due to poor record keeping and for not obtaining more funding to grow their (Mutoko, 2015). However, Mafoko (2019) states that the failure of SMMEs is due to the lack of capital, which is considered as the most critical challenge business is often constrained by lack of capital as it grows (Rampini & Viswanathan, 2013). However, Takoni and Atseye (2015) point out that the profit in one operating cycle is often insufficient to fund the extra working capital required for the next operating cycle. Takoni and Atseye (2015) further state that ensuring that proper training is provided to SMMEs management on how financing SMMEs can also solve the problem of failure of SMMEs.

According to one of the findings of the work of Kambwale and Chisors (2015) in Nuyoma (2010:10), “more than 40% of SMMEs in Namibia identify access to finance as the most serious obstacle to growth and development”. The access to finance and the cost of credit both feature prominently as challenges faced by the SMME sector. Falkena and Abedian (2017) support that lack of sufficient financing is a serious constraint in the development of new ventures as well as later stages in South Africa Leboea (2017). Business requires additional inflows of capital to support expansion and growth, this issue leads to high failure rate of small businesses (Achtenhagen, Melin & Naldi, 2013). However, lack of finance seems to be the umbrella of all the challenges facing SMMEs due to the fact that shortage of resources, raw materials and equipment emanate from lack of finance, therefore it has been proven that lack of finance is a major challenge hindering South African SMMEs sustainability (Ndou, 2010). Chimucheka (2013) asserted that

lack of finance is the blocking bridge of success to small businesses in South Africa. However, Madichie, Mpiti and Rambe, (2019) argue that lack of funding is not a constraint to the success of SMMEs since government is responsible for giving funding on daily bases to the small businesses to grow. Mbohwa and Ejon (2015, 2;15) “Despite the government’s commitment, the awareness and uptake of supports has been very low”. The government is supporting small businesses in order to grow and develop their businesses. (Cancino & Vergaram, 2015)”. The SMMEs financial market further exposes that there is variety of financing programmes and funding schemes by both the public and private sector funding agencies in South Africa. (Rungani, 2018). It has been seen that despite of the availability of an array of funding programmes, the awareness of these programmes and the uptake have been very low. (Rungani & Potgiete, 2018). Allen (2013) supports that the general lack of awareness for funding programmes, gap between minimum requirements for a business loan status are the main problem hindering SMMEs growth. Makina, Fanta, Mutsonziwa and Maposa, (2015) state that SMMEs’ performance is limited due to incompetence and other external variables. Makina et al (2015) further state that SMMEs sector has participated in the improvement of SMMEs policy and programmes to ensure that their needs and anticipations are taken into account right from the policy development stage so as to bridge the gap between SMMEs support expectation and what they actually receive. In the context of KwaZulu-Natal, Nodada (2011) points out that absence of admittance to finance on SMMEs is the most hindrance factor to the development of small businesses in KZN. However, Mtapuri (2018) argues that lack of finance is the main bridge of the SMMEs development. Mtapuri (2018) further points out that lack of information on how to attain governments support is the main problem. Mason (2013) also supports that poor managerial skills and lack of information about government support are the main effect hindering the development of SMMEs. It further leads them to failure. Haron, (2013) alludes that the accessibility to funding is the main factor affecting the achievement and development of SMMEs.

2.2.2. Credit risk

Credit risk plays a huge role in the failure of SMMEs. For instance, credit risk has been considered to be a hindrance to the growth, survival and potential of SMMEs in China (Rankhumise, 2016). This kind of risk has to do with debtors who owe the businesses money and at times fail to pay it back resulting in a financial strain for SMMEs (Heyneke, 2010). According to Laukkanen, Nagy

and Hirvonen (2013), taking money from the business affects the profitability and growth of the business. Department of Planning, Monitoring and Evaluation (2017) alludes that SMMEs are suffering from credit risk caused by borrowers who fail to keep their promises of paying back the money in time. The Domino Effect (2017) reveals that SMMEs put so much trust to the borrowers, whilst they do not have enough sufficient cash flows to balance their books. Moreover, according to Masupha (2015), SMMEs are the ones failing to handle their own credit obligations by ensuring that they always have sufficient cash flow to offset their bills timeously. Motsau (2017) alludes that SMMEs cannot serve the borrowers needs whilst they are not well balance in their cash flows, which is the biggest mistake the SMMEs are incurring.

Zairi (2012) asserts that late payments in USA create distractions of day to day work activities which results to poor performance and sometimes the business experience loss which leads to failure. Similarly, Linooff and Berry (2011) had earlier stated that small businesses provide credit sales to their customers, expected to be paid back. However, Ogubazghi and Muturi (2014) states that payments of 8% to SMMEs are either never made, or never paid. Therefore, small businesses are forced to write these payments off as bad debt”. Moreover, late payments have incapacitating penalties on the sector’s growth and the broader economy as a whole, due to the size of the SMME sector (Weber, 2016).

SMMEs have tried to address the problem of late payment of service providers through various initiatives and policies due to failures being faced (Bilal & Mqbal, 2015). The study of Madzonga (2018) reports that in UK, SMMEs spend an average of 20 days chasing late payments which distract their performance. Meanwhile, prompt payments to SMMEs by government departments and big businesses have the potential to alleviate strain and reduce the rate of SMME closures (Edmondson, 2018). According to Chiliya, Masocha and Zindiye (2012), late payment delays the development and sustainability of SMMEs. Kinyua (2013) argues that late payment causes huge damage to the development of SMMEs; this is due to the fact that SMMEs are expected to learn on how they are encouraging their cash sales in order to have healthy balance between cash and credit sales. Late payment is the huge problem for small businesses in and it is highly disappointing for small firms must wait even longer to be paid (Chiliya & Masocha 2012). Small businesses depend on getting payments on time so that they can retain cash flows and ensure that the business can run on a day-to-day basis (Mphela & Shunda, 2019). However, Nkwe (2012) states that there

is much evidence on the central role played by the SMMEs and the contribution they make to the socio-economic development of economies. Ndekwa (2017) highlights that 86 % of SMMEs in Tanzania receive cheques as payment and 84% of SMMEs make payments by cheque. With means of payment cheque being made by SMMEs it shows that credit risks are a major problem to the development of SMMEs. Mannathoko (2011) highlights that credit risk which is also known as default risk, has become a threat to the development of SMMEs because of untrusted people who borrow money and fail to pay back. Moreover, Mookodi (2016) alludes that it is vital to establish both creditability and reliability. This is determined by performing thorough diligence on potential clients. Dlova (2017) asserts that South African small businesses are trying so hard to succeed but credit risk is against their success. Late payment has impacted on the capabilities of businesses to grow as they become preoccupied with managing short-term cash problems. For this reason, the government has promoted the voluntary Prompt Payment Code (PPC) with the aim of promoting good practice, however the struggle continues as SMMEs productivity level suffers (Balogun, Agumba & Ansary, 2016). The work of Djokoto (2017) shows that late payment is hindering SMMEs development, thus, they fail at the early stage of their existence. SMMEs acquire loans sometimes at their infant stage with no profit being made by the business and with no guarantee of being successful in markets; this increases failure rate of small businesses (Akinwale, Adu & Seriki, 2015).

Mofokeng (2012) points out that SMMEs are facing problem of late payments of more than thirty days after doing business with government. Approximately 5-10% of all administrative work of SMMEs is related to chasing late payments (Hlebel, 2020). However, Hasan (2016) reveals that other SMMEs are surviving with credit risks and they are working tirelessly to conquer and to develop their businesses. (Rahman and Yaacob, 2016) It has been said in previous studies that credit risk is major problem hindering SMMEs survival and their development worldwide. In the context of Kwa-Zulu Natal, many small businesses do not last for the long period in the markets due to late payment being experienced in their existence (Ngcobo & Sukdeo, 2015). Lekhanya, (2016) asserts that this issue is affecting the performance of small businesses and employees are being affected as well.

2.2.3. Resource risk

Karadag (2015) states that resources are viewed as the backbone of all businesses. Lack of resources creates issues, and such tends to affect the performance of SMMEs. Karadag (2015) further states that there is increased likelihood that SMMEs will fail to meet their business goals due to a lack of resources such as financing or skilled labour. Furthermore, according to Cheng and Yeung (2012), it is required for every small business to manage its risks in order to minimize the loss exposure. Nambira (2016) alludes that the high failure rate of SMMEs is caused by the scarcity of resources. Rahman and Lodorfos (2017) consents with the notion that SMMEs only survive for a short period in the market due to lack of resources, whereas SMMEs are much needed for the reduction of poverty, equitable distribution of income and improvement of the lifestyle of citizens. US SMMEs experience high failure rate due to unskilled workers, lack of adequate time and failure to conduct proper research with regards to their businesses (Mensah & Benedict, 2010). Halme and Korpela (2014) hold the view that small businesses are not growing because of scarcity of resources; small businesses fail to implement several approaches such as using existing resources more efficiently or renewal of existing resources.

Razak, Abdullah and Ersoy (2018) Resource risk has become a big challenge to the development and growth of African SMMEs, the failure of countless small businesses caused by lack of resource. Razak, Abdullah and Ersoy (2018) further states that this causes distraction on business operations and results to poor performance. In addition, Anderson (2012) avers that lack of resource hinders the development and growth of small businesses. Anderson (2012) further states that small businesses are suffering. Using Malawi as an example, Brown (2012) state that 70 % of small businesses are at the verge of closing down due to failure to cope with working without resources. Moreover, Mugo (2012) agrees with this stating that there is a mismanagement of resources from business owners which results to the failure of the business. Taiwo and Falohun (2016) state that business owner's reward themselves rather than ploughing the profits back into the business for expansion. Business owners fail to consider the operating costs, tax implications as well as the liabilities of the business. It is a common practice among entrepreneurs and enterprises that are still in their infancy stage to spend profit instead of growing the business (Dickins, Gibson & Harris, 2016). Owners and business managers must be well equipped on how to run business successful; they are to be advised not use assets belonging of the business for

private purposes at the expense of the enterprise (Kamunge, Njeru & Tirimba, 2014). Muzondi (2014) opines that scarcity of resources threatens SMMEs development to a point that even if there are means of renewing old resources to keep businesses going, some small businesses do not. Fatoki (2014) alludes that resource risk is not the main reason of high failure rate to SMMEs development specifically in South Africa where business owners start their businesses without considering risks. Ogunsanya (2020) reveals that in KZN, countless of SMMEs fail at their early stage of existence due to lack of resources; the scarcity of resources is a threat to the growth of SMMEs in KZN. Bartik, Bertrand, Cullen and Glaeser (2020) state that renewal of these resources is time consuming and most of the time they do not last longer. According to Jaramillo (2019) SMMEs are caught in a cycle of limited bargaining power and lack of resources. Moreover, Nze (2016) supports that failure rate of SMMEs in KZN is increasing annually due to scarcity of resources.

Krugman (2017) mentions that when there is increase in prices of goods and services individuals are unable to buy as much as they could previously, therefore, inflation rate can influence power of purchasing behaviour. Moreover, Matheson (2011) further mentions that higher prices also cause doubt about future prices, interest rate, exchange rates, and this in turn increases the risks among potential trade partners and affects trade. The effect of inflation rate on SMMEs occurs directly and indirectly, this implies that inflation rate affects SMMEs and investment in numerous ways mostly hindering the growth of the economy (Obstfeld, 2012). Economic factor has a direct impact on the potential attractiveness of various strategies and consumption patterns in the economy and have significant and unequal effects on organization in different industries and locations (Olawale & Garwe, 2010). Additionally, “economic variables such as fiscal and monetary policies of the government, inflation, interest rate and foreign exchange rate influence the demand for goods and services, consequently the growth of new SMMEs (Jawadi, Mallick & Sousa, 2016)’. Moreover, Aghion, Comin and Howitt (2016) adds that the economy needs a certain level of savings to finance investment which boosts the growth of the economy. This discourages savings and reduces income growth of the economy since businesses cannot predict the demand for their products due to prices that are higher, they end up charging so much as to cover their cost. (Chaney, 2016).

In addition, Benabou and Tirole (2010) agree with the fact that the increasing costs for small businesses could result in greater production of profitability, therefore businesses are forced to increase the prices while this affect behaviour of buying power. Moreover, Frederisks, Stenner and Hobman (2015) reveal that it is much better for small businesses to slowly increase their prices rather than an unexpected larger increase as consumers could respond negatively. According to Hofmann (2017), inflation rate risk also affects the employment negatively as when businesses prepare for rising inflation rate, the effect on employment come less of a shock.

2.2.4 Covid-19 pandemic

Numerous businesses have been losing massive sales lately due to covid-19 that has also impacted individuals globally, and due to the rules and regulations put in place to decrease the spread of the pandemic, also, travel and tourism industries have been affected as well (Donthu & Gustafsson, 2020). SMMEs in China have experienced so much damage since businesses began to lose massive sales due to tough restrictions that limited buyers, and caused other businesses to pack up (Femandes, 2020). Meanwhile, Covid-19 is not distracting or impacting the growth and development of China SMMEs alone, however, it has impacted the community development as well by abrupt losses of employment and income (Levy, Hirsch & Naidoo, 2021). Moreover, Rangiwai, Chand, Mataroa and Kaharoa (2020) state that Covid-19 have created much pressure to the businesses trying hard to recover from the big lost they have experienced lately due to the restrictive measures. Also, communities and employees are fighting to regain strength. Apedo, Advui, Cirera and Cruz (2020) reveal that economic growth in China decreased drastically during the time of the Covid-19 due to restrictions. For instance, 80% of SMMEs was impacted and distracted by the pandemic; it has consequently affected the economy growth of the nation negatively and affected the employment rate (Apedo, Advui, Cirera & Cruz, 2020).

Power, Doherty, Pybus & Pickett (2020) state that many societies have gone to hunger and poverty due to Covid-19 since some of the shops were forced to operate on specific days and time. Bambra, Riordan, and Ford (2020) state that lock down has significantly impacted businesses in the US, they faced increasing number of joblessness, loss of accommodation and stark inequalities in how these are distributed. This is in addition to the variation in the way the virus has affected the population, by age, sex, ethnic group, occupation and socioeconomic status (Clouston and Natale, 2021). However, Walsh (2020) mentions that recovering from loss, the experience through

Covid19 is envisaged to take time, even the recovery of the economy since lockdown came with so much limitations in terms of doing business, yet small businesses are contributing so much in economic growth. Covid-19 pandemic has direct impact on enterprises growth. Over 93% of enterprises in the country have been negatively impacted, leading to serious decrease in revenue (Nguyen, Ngo Pham, 2020). The enterprises have also suffered the burden of stagnant inventory, interest rates, workers' wages and rental costs due to the Covid-19 pandemic which results to high level of unemployment rate and poverty (Dev & Sengupta, 2020). In a background of the Covid 19 pandemic, it is sad that SMMEs have been struggling to access finance to restore production. Therefore, the preferential policy of the bank on interest rates have a positive impact on survival and development of SMMEs. Small- and medium-sized enterprises (SMEs) are the backbone of the European economy, constructing up 99.8% of all enterprises and two-thirds of employment (European Commission 2019). SMEs account for 58% of employment and 42% of value added (European Commission 2017). Over the last few years, global value chains (GVCs) have expanded amongst the growing disintegration of the concurrent decline of the vertically integrated firm and economic activity (Kano et al. 2020). Moreover, European SMMEs are struggling because of their size and ownership structure, they also usually struggle with liquidity and profitability, thus particularly becoming vulnerable to external shocks (European Commission 2019).

Antwi, Zhou and Mustafa (2021) further state that this pandemic is affecting SMMEs in European on the supply and demand sides alike and it represents an external shock of unprecedented magnitude. For example, the work of Juergensen, Guimon and Narula (2020) show that survey data from May 2020 suggest that 35% feared they would be unable to reopen again and that 41% of UK SMEs had stopped operations (FSB 2020). In Germany, 50% of SMME expected a negative effect due to the crisis with one-third anticipating a decline in revenues by more than 10% (DIHK 2020). In Italy, more than 70% indicated they were directly affected by the crisis (CNA 2020). The European Commission defined SMMEs as businesses with an annual turnover of up to 50 million Euros and firms with less than 250 employees or a balance sheet of no more than 43 million Euros (European Commission, 2019).

In Ethiopia Covid-19 pandemic caused challenges for businesses such as health and safety, labour force mobility, cash flows interruptions, decreased consumer demand and increased market costs

(Goshu, Ferede, Diriba & Ketema, 2020). SMMEs are exposed to the Covid-19 pandemics economic effects due to borrowing capacity and limited financial resources (Goshu, Ferede, Diriba & Ketema, 2020). Moreover, Covid-19 posed distractions to almost all, over the world, as businesses had to respond to the negative effects that were posed by corona virus and the numerous lockdown measures that were in place to slow down the spread of the disease (Oyebode, Ndulue & Adib, 2021). According to Musavengane, Siakwah and Leonard (2020), SMMEs are among the badly affected businesses due to lack of financial support when faced with external pressures that hinder their sustainability. Verma and Gustafsson (2020) state that Covid-19 has caused problems in different economies across the world into an emerging recession of unknown depth, resulting from disrupting international trade and commerce. Also, capital market has been distracted across the world because of the massive pressure that has been placed by Covid-19 and this is posing a great threat to the stability of the global financial system (Varani, Siri & Bernardini, 2020). Many businesses have been impacted by Covid-19; the pandemic has put businesses in a very bad condition, likewise economic growth and the society as a whole (Bartik, Bertrand & Cullen, 2020).

In addition, Zhang (2020) agrees that not only have businesses suffered from Covid-19. There are major concerns in Africa due to existing high prevalence rates for both infectious and noninfectious diseases and limited resources in terms of personnel and equipment as well (Ogunleye, Basu, Mueller & Sneddon, 2020).

Covid-19 pandemic has caused much damage and loss to South African SMMEs. The pandemic has also affected the South African economic growth. Bene (2020) states that the pandemic has further emphasised the need for a more diverse and inclusive food system in which small businesses play a key role. With the outbreak of the Covid-19 pandemic, SMMEs felt the heat when the measure of social distancing put in place, as they were unable to operate, and their day to day revenues become affected (Maharaj, 2020). The Covid-19 has impacted South African SMEs so much and further robbed people's lives and increased unemployment rate (Rajagopaul & Magwentshu, 2020). In addition, Fields, Abdullah and Musisi (2021) further state that Covid19 has disrupted the marketing process at a critical point, and small businesses are the most affected by this pandemic. However, Didier, Huneeus and Larrain (2021) point out that the SMME sector can no longer be a shield for the economy as it was during the economic and financial crises. This is because it has lost so much revenue following the outbreak of the pandemic. SMMEs are the

most defenceless sector of the economy during crisis such as Covid-19 (Oni & Omonona, 2020), Moreover the Oni and Omonona (2020) further mention that Covid-19 caused government to suggest social distancing with an aim of trying to reduce level of transmission. According to Carvalho and Pianowski (2020), the social distancing is a facet of human behaviour to reduce level of contact with others in order to reduce the possible transmission of disease. However, Bhorat, Asmal and Lilenstein (2018) posit that social distancing has a severe influence on the operations and marketing of SMMEs in South Africa. For instance, decline in sales caused by Covid-19 has led SMMEs to have close down their businesses ultimately. Bhorat, Asmal and Lilenstein (2018) further adds that the decline in sales have caused SMMEs to change from traditional marketing to adopting social media to keep the businesses going since Covid-19 have forced businesses to operate in very bad place.

South African SMMEs are dynamic. It is expedient for the business owners to take note of the impact that covid-19 can have on their operations and implement ways by which they can survive the storm (Saad, 2021). Moreover, Saad (2021) further mentions that the number is envisaged to increase in line with the personal reports of business actors, and based on the results of the provincial, district, and city government data collection. “Some constraints experienced by businesses during the pandemic accounted for 68% complaining of sales and falling demand; 14% complained about difficulty to raise capital during the pandemic; 9% of SME business operators complained that distribution and operations are late; 5% Complained about the difficulty of getting raw materials (Effendi, Sugandini & Istanto, 2020: 9:16)”.

2.2.5 Reputation risk

According to Khan and Sukhotu (2020), reputation risk is that which poses threat to the business sustainability or business profitability or other organizations that is caused by unfavourable perception of the public of the organization(s) or its products or services. Waeraas and Byrkjeflot (2012) state that reputation risk management is the component of reputation management which seeks to outline the perception of the public of a brand or an organization. Arora and Lodhia (2017) describe the term reputation risk as accumulated negative events associated with an organization within an extended period of time, capable of affecting its reputation. Loss of reputation by an organization affects its local positioning, the trust and loyalty of stakeholders, competitiveness,

legitimacy of operations and the media relations, even the license to exist (Gatzert, Schmit & Kolb, 2016).

Asmussen and Fosfuri (2019) argue that appealing in corporate social responsibility (CSR) activities may be effective to handle reputation risk for subsidiaries. However, Khan and Sukhotu (2020) point out that in the case of Reputation risk, there is a danger of losing one's reputation, or the possibility, presents a threat to the organizations in many ways. According to research carried out by the distinguished Economic Intelligence Unit (EIU), leading European managers deliberate reputation risk to be the leading threat to the market value of their organizations and to business operations (Collings, Scullion & Caligiuri, 2018). However, Cardona (2013) comments that despite realizing the importance of reputation risks, there is negligence of reputation risk management strategies to organizations or to do without them entirely. Moreover, Busse, Schleper and Weilenmann (2017) add that such deprived awareness results in a question of who should take responsibility for managing reputation risk(s). According to Sadgrove (2016), organizations are to take reputation risk seriously as it has been added to the list of business risks, it is largely an operative risk. In addition, Elmusharaf, Byrne and Abuagla (2017) reveal that normally, operative risks involve systems, people or external events that cause direct or indirect, non-functioning to poorly functioning internal operations and losses to organizations, therefore, this can take the form of reputation loss. Aula (2010) provide the example of operative risks that involves all the mentioned above: for example, Aula (2010:44) "Social Responsibility Report, Senate Properties, an enterprise under the Finnish Ministry of Finance that provides property services mainly to government customers identified its primary risks as the decreasing need for space by customers, reputation risk and financial risk related to rising cost levels and the balance sheet values of properties". Reputation risk can affect an entire industry as well, as it does not only affect the individual organizations (Gatzert & Schmit, 2016).

Feldman and Bahamonde (2014) opine that reputation is an important and appreciated asset for any firm, organisation, or business. Therefore, Hall and Lee (2014) further states that reputation needs to be protected and nourished by businesses to have the opportunity to reap superior financial rewards. Businesses with good reputation attract loyal customers, they also attract success, this is because market or customers believe in such businesses and their abilities to deliver as and when due (Reichheld, 2011). Reputation risk can be unnoticed or taken into consideration by small

businesses, but it is the main key for small businesses to grow and develop (Hurst & Pugsley, 2011). However, Lagazio, Sherif and Cushman (2014) argue that reputation risk is the threat on business success or present negative impact. Lagazio, Sherif and Cushman (2014) further add that small businesses should always protect reputation of the business since reputation damage can be caused by many factors. Henisz (2017) agrees that how organizations or businesses protect their reputation, how they respond on disruptions and how honest they are to their stakeholders and customers impact on their failure or success. Bad reputation can impact buying behaviour of customer; therefore, it is imperative for every organization to keep its business at good reputation and with good image (Mmutle & Shonhe, 2017). There are various elements associated with total cost, but reputational damage is one that is often overlooked in South Africa (Lemke & Petersen, 2013). The work of Dafikpaku (2011) reveals that reputation risks are in line with strategic risk. However, there is a slight difference between strategic risks which is specifically measurable and predictable, therefore, it is controllable, while reputation risk on the other hand is largely unpredictable. Verhezen (2016) states that reputation risk is a crucial issue and can be a laver for building minimal trust with various stakeholders of the company. According to Lopez and Melero (2017) reveals that many small businesses are ignoring or underestimating the potential risks of a reputational damage. Lopez and Melero (2017) further added that they seem to forget the role played by good reputation of the business. Davis and Franks (2014) agree that several small businesses are losing sales on daily bases due to bad reputation representing their businesses in public. However, Minor and Morgan (2011) reveals that reputational damage can come from a number of sources, and it could be directly caused by the actions of the businesses itself or practices that consumers view in a negative light.

Garcia and Salmones (2018) assert that businesses with a strong positive reputation attract more customers or better customers because they are perceived as providing more value which often allows them to charge a premium. Similarly, Alniacik and Genc (2011) hold the view that good reputation makes businesses to attain loyal customers and buy broader ranges of products and services. Moreover, Olawale and Garwe (2010) assert that in Kwa-Zulu Natal, small businesses fail at an early stage of their existence due to reputation risk.

2.2.6 Inflation rate risk

According to Islam, Ghani and Mahyudin (2017), inflation is an increase in the general prices level of goods and services over a period of time in an economy. Islam, Ghani and Mahyudin (2017) further state that when the general price level increases, each unit of currency buys fewer goods and services. According to Reid and Myddelton (2017) the simplest definition of inflation is that inflation is "too much money chasing too few goods". However, Popoola and Ayandrinde (2017) define inflation is "A persistent increase in the level of consumer prices or a persistent decline in the purchasing power of money, caused by an increase in available currency and credit beyond the proportion of available goods and services". However, Yolanda (2017) state that the phenomenon of inflation in Indonesia is not a short-term phenomenon and occurs situationally, as common in other developing countries. In addition, Binder (2020) inflation is one of the most feared by the economic actors and one of the most important macroeconomic variables, amongst which includes the government. Binder (2020) further states that this is because inflation can bring bad influence on the level of welfare and structure of production costs.

In Indonesia, the problem of inflation is more on the issue of long-term inflation due to the reason that it still has a structural barrier in the economy of the country (Medvedev, 2015). Moreover, Hayakwa, Kimura and Lee (2013) mention that inflation rate risk does not only affect businesses, however it also affects countries as a whole and citizens of the country as well. Furthermore, Yolanda (2017) asserts that inflation is an economic phenomenon which has certain impact on economic activities thereby lowering the purchasing power of money, consequently, affects the quality of life. Ehrmann and Tzamourani (2012) reveal that other countries that have experienced hyperinflation indicated that poor inflation would lead to social and political instability. however, the results of other researchers show that inflation affect the success of many businesses., Yang and Zhao (2015) further mention that countless of small businesses are still struggling to grow and develop due to inflation rate that is threatening their growth and causes distractions on all work activities. According to Streeck (2011), inflation affects the economy's growth in numerous ways. For example, when prices for goods and services increases, pensioners would not get the same amount of goods they could previously. The effect of inflation on an economy are numerous and simultaneously positive and negative. Angelina and Nugraha (2020) state that the negative effect of inflation includes an increase in the opportunity cost of holding money. However, Berentsen,

Menzio and Wright (2011) allude that inflation can harm small businesses in many ways while boosting profitability to others, therefore it depends on the matter of perspective with regards to inflation rate. In addition, Robinson (2016) emphasized that inflation causes distractions on business profits, development and also affect and control purchasing power of buyers since it impacts the lives of people. Shapiro and Hanouna (2019) add that countless of businesses find it difficult to grow as they wish due to inflation rate.

The high inflation in Ghana is an issue for individuals and businesses alike. Between 2000 and 2006 in Ghana, inflation moved from a high of roughly 40% in 2000 to a low 10.5% in 2006 (Adjasi & Tuskson, 2014). This inflation coupled with the Ghanaian banking industry's reluctance to issue long term loans or to follow the central banks interest rate led a number of smaller businesses closing since they are unable to raise capital to invest in their business (Naz, Chaundhry & Hussain, 2012). In addition, Mosongo (2021) agrees that SMMEs in Ghana are faced with the issue of inflation rate that keeps on changing and poses distractions on the business profits. Businesses are experiencing loss, yet others find it difficult to survive. This is because of inflation rate that influences purchasing behaviour of buyers (Mansoor & Jalal, 2011). Moreover, Pugh and Tyrrall (2012) add that inflation rate forces firms, suppliers and small businesses to raise prices without considering the purchasing behaviour of buyers as they get easily intermediated by the changes.

Matheson (2011) further mention that higher prices also cause doubt about future prices, interest rate and exchange rates, and this in turn increases the risks among potential trade partners and discourages trade. The effect of inflation rate on South African SMMEs occurs directly and indirectly. This implies that inflation rate affects SMMEs and investment in numerous ways, mostly the growth of the economy (Obstfeld, 2012). Economic factor has a direct impact on the potential attractiveness of various strategies and consumption patterns in the economy and have significant and unequal effects on organization in different industries and in different locations (Olawale & Garwe, 2010).

Furthermore, some small businesses do not last longer in the market due to inflation rate risk which hinders their growth and development (Gigineishuili, 2011). Also, changes in prices caused by inflation rate affect buying power of customers (Gigineishuili, 2011). In addition, Benabou and Tirole (2010) consent that the increasing costs for small businesses could result in high production

spending and loss of profitability, therefore, businesses are forced to increase the prices though buying power will be affected. Moreover, the work of Frederisks, Stenner and Hobman (2015) reveal that it is better for small businesses to slowly increase their prices rather than an unexpected larger increase as consumers could respond negatively. According to Meyer and Ball (2014) inflation rate risk also affects employment negatively. For instance, when businesses prepare for rising inflation rate, the effect on employment come less of a shock (Hofmann, 2017).

2.3 Risk Management Strategies

2.3.1 Strategies of risk management used by SMMEs: A global perspective

According to Parnell, Long and Lester (2015) Majority of global SMMEs have survived the harsh environment and competition through applying proper strategies. Marketing strategy is the means by which an organization sets out to achieve its marketing objectives (Doole & Lowe, 2012). China was said to have adopted marketing strategy as their tool to fight risks (Laurett & Ferreira, 2018).

Adu (2013) states that SMMEs in Britain are surviving through balancing their working capital cycle, they ensure that they manage their working capital cycle effectively and adequate stock holding in place. Hickland and Dundon (2016) state that other numerous SMMEs in Ireland are surviving through being re-organised and adjusting. However, Brown and Bessant (2018) opine that in the United States, SMMEs are pulling through simply by rebuilding their businesses, shifting things around in order to make team and operations strong. Moreover, Abdalla (2013) supports that SMMEs are not scared or shy of going out seeking knowledge on how and where to acquire funding to grow their businesses since there are many sponsors for small businesses. Zanden (2017) adds that small businesses in Indian are not shy of networking with other business owners and managers, networking strategy has improved the standard of these businesses, the failure rate have declined through networking and engaging their businesses with customers and staff.

2.3.2 Strategies of risk management used by SMMEs in African context

Falkner (2015) suggests that SMMEs have used communication to be aware and ahead of risks as their strategy to respond to risks. Falkner (2015) further adds that this has been helpful to the surviving SMMEs in Kenya as business owners apply sufficient and efficient channels of communications, discussing platforms and solutions with staff. Wilson and Makau (2018)

mentions that planning and outlining in advance risk management steps has brought much improvement to SMMEs in Ghana, this led to a proper strategizing plan as a way of overcoming risks. Nigerian SMMEs have been surviving through turnaround strategies, which have created so much improvement to small businesses (Akande, 2011). A number of SMMEs in Zambia have been winning through managing their debtors and offer discount which assisted them in improving their standard (Chilipunde, 2010). Moreover, Gombarume and Mavhundutse (2014) state that the adequately trained member of staff to deal with the collection of money and to follow up on late payments have improved the success of SMMEs in Zimbabwe.

2.3.3 Risk Management and SMMEs: South African overview

In the South African context, SMMEs have created numerous job opportunities, however not all SMMEs have a vital role in the creation of job opportunities due to the risks faced. Some of these risks are poor planning skills, crime, amongst others. Donner and Escobari (2010) hold the view that South African SMMEs are not well exposed to risks; there is need to be tough on how to deal with risk, and high rate of crime, which then becomes another risk and affects the performance of SMMEs. According to Kim, Trimi and Chung (2014), the government is by all means trying to deal with crime and its applications on small businesses. However, Bushe (2019) mentions that the government is still failing to deal with this issue accordingly, since in South Africa there is a high failure rate of small businesses caused by crime. Mthabela (2015) argues that crime is the cause of failure of SMMEs. Mthabela (2015) further states that SMMEs are not well equipped on how to deal with these risks. Therefore, it is clear that there is a lack of knowledge for small business owners on how to deal with risks faced by them. The failure of these SMMEs contributes to unemployment and economic stagnation (Ramukumba, 2014). Boubala (2010) states that SMMEs are noted for their contributions to innovation and their ability to impact on growth. Olawale and Garwe (2010), alludes that the promotion of SMMEs is the focus of considerable policy interest not only in South Africa but also in many other countries.

Muzondi (2014) reveals that SMMEs are the positive contributors of the economic growth, job creators and they reduce poverty in South Africa, and many other countries. Moreover, Chimucheka (2013) supports that lack of education and training form part to high failure rate of SMMEs in South Africa; business owners do not go for proper research and proper training to be well educated on how to respond to risks. According to Brijlal, Samuel and Eslyn (2014), poor

level of education has been approved as one of the reasons why SMMEs fail so much in South Africa. This is because small businesses are not well equipped on how to run business successful. Nhleko (2017) states that KZN SMMEs are the important tool in improving the country's economy. They are regarded as the driver that stimulates economic growth and improve the level of employment, though risks remain a major stumbling block of the success and sustainability of SMMEs. Lack of access to funding has been a serious challenge and reason why many small businesses do not survive (Cheng, 2015). In Congruence Sitharam and Hoque, (2016) argue that SMMEs are not provided with finance. Additionally, SMMEs lack knowledge on what to do or where to go to attain funding, while others do not meet necessary requirement for funding. Dabideen (2017) mentions that government plays an important role in supporting the development and sustainability of KwaZulu-Natal SMMEs by focusing on economic growth through contributing to radical economic transformation. Nkonde (2012) alludes that government supports development of SMMEs through providing sponsors to run their businesses; government support these businesses even with resources. Tengeh (2013) agrees that the government plays an important role in supporting KZN small businesses. Khuzwayo (2015) reveals that these SMMEs lack knowledge with regards to business. They are not well equipped on how to run the business successfully, therefore regardless of government support, SMMEs continue to fail. Looking in terms of developed SMMEs and employment in uMhlathuze Municipality, a few job opportunities have been created by SMMEs, however countless of them have failed in their early stage of existence. The failure percentage of small businesses is higher than those surviving Neneh and Vanzyl (2012). This shows that the majority of SMMEs located in uMhlathuze Municipality do not survive due to the risks that they are facing. Risk continues to destroy the success and existence of businesses, therefore, SMMEs do not have proper strategies to respond to risks, thus, the reason they fail on daily bases, they are not aware of risks and its implications (Miller & Brown, 2018).

Risk management strategies can be classified as production, marketing or financial and many possibilities within each of these categories (Bowers & Khorakian, 2014). Strategies to manage risks can have two broad effects: There are those strategies which can be used to control risk exposure, and those which aim to control the impact of risk on the business (Roncoli, Paz, Breuer & Broad, 2010). However, Bromiley, Shane, Nair and Rustambekov (2015) reveal that business

risk exposure can be controlled by manipulating the probability distributions facing businesses for variability to be reduced.

2.3.4 Risk Management Strategies used by SMMEs in South Africa

Lui, Ndubisi and Barrane (2020) reveal that majority of the surviving SMMEs are surviving through using their existing resources more efficiently as they are aware that this enhances their profits and success of their businesses, rather than being inconsiderate and asking for more resources. Nicolaides (2015) supports that using resources more efficiently helps in saving the profit and growth of the business. According to Hazell, Poulton, Wiggins and Dorward (2010), mention that if resources get damaged or lose value businesses can repair it, rather than waiting for government to intervene or seek private sponsors that may take long while yet losing sales. SMMEs are surviving by preparing themselves with small generators, others prefer Uninterruptible Power Supply (UPS). Although small generators and UPS are not costly like the regular industrial generators, they however cost businesses some money. They are used to provide power in the interim and save the loss that would have been incurred by SMMEs during load shedding (Kalule, Kyohairwe & Mulindwa, 2014).

According to Gimadeeva (2016) communication channel is the most effective strategy, some of the SMMEs are using to fight risks and win the burden, as communication allows them to share ideas and solution on how to overcome challenges that is impacting business growth.

Additionally, Maleka (2014) reveals that planning and outlining in advance risk management steps has brought much improvement to other businesses. Nkulu (2012) consents that planning and outlining in advance is the pillar of every business success. Ward (2016) states that this implies that for a business to succeed in the industry or in the market, it needs proper planning. Durst and Ferenhof (2016) that outlining steps of risks management in advance assists SMMEs to be more aware of the risks and always ahead by strategizing through the use of communication and other possible mechanisms (Nkulu, 2012). Turnaround strategy has been the best strategy ever, majority of small businesses have been surviving and still existing in the market due to the adoption of turnaround strategy (Chris, Bassey & Ukaidi, 2016). Mthimkhulu and Aziakpono (2015) reveal that some small businesses are surviving through different forms of re-organisation and

adjustment. Such surviving small businesses are pulling through simply by rebuilding their businesses.

2.4 Theoretical framework

Many theories have been used to explain the role of SMMEs, issues and challenges faced by SMMEs for the purpose of strategies that can be applied in mitigating such challenges or risks. The theories employed in this study as baseline to understand how SMMEs can undertake risk management are resource dependency and enterprise risk management theories.

2.4.1 Resource Dependency theory

The resource dependency theory was envisioned by seminal works of (Yeager, Menachemi & Savage, 2014). According to Yeager et al (2014), to a great extent, external resources of organizations affect the behaviour of the organization. The procurement of external resource is an important tent of both the strategic and tactical management of any company (Warner, 2017). Despite the ability of organizations to self-regulate their internal growth and development, nonetheless, a great measure of how the organization can succeed is dependent on their reaction to external situations (Hillman & Withers, 2009). The fundamental assumptions of this theory include environments have limited resources and organizations are dependent on these resources for their survival. A lack of control over these resources creates uncertainty for firms operating in that environment. Mohamed (2021) added that in an organization or business of a scarcity resources and information uncertainty enterprise risk management, and strategic planning is required in facing with unbalanced business. In addition, Yang (2018) and Heyneke (2010) added that lack of resources coerces SMMEs to approach enterprise risk management practice to avoid poor performance and also to enhance the survival and development in the market. Chimucheka (2015) contends that the survival of SMMEs depend on their ability to acquire and retain resources from stakeholders within the environment. For example, within SMMEs milieus, power cuts, government corruption, limited financing from government and the hardships in accessing business opportunities are some of the challenges which have been identified. Thus, attempt is made within the realms of this study to understand how organizations can better react to the identified challenges in order to mitigate any risk associated with them. Furthermore, since the survival of SMMEs is dependent on resource availability, it is envisaged to affect their growth and overall consolidation, and how they maximize resources to ensure stability. The theory therefore

within the contexts of this study is suitable as it seeks to understand how resources within SMMEs are utilized, how SMMEs react to external shocks and how they pull together their resources to mitigate risks that might arise in future.

2.4.2 Enterprise risk management theory

Enterprise risk management can be regarded as the process affected by an entity's board of directors, management and other personnel applied in strategy setting and across the enterprise's design to identify potential events that may affect the entity (Abuazza, Mihret, & James 2015). It also helps the enterprise to manage risks to provide reasonable assurance towards the achievement of its objectives (Abuazza, Mihret, & James 2015). In large enterprises, the management of risk is more formal and usually driven by top management through laid down policy (Gorzen-Mitka 2015 & Renault, 2018). Studies that investigate risk management in medium to large corporates emphasize the adoption and implementation of ERM, which is more formal and company specific policy for dealing with risks facing the firm (Fusch, 2019). On the other hand, Watkins (2012) argues that in SMMEs, risk management is more informal and not well structured, thus it is not easy to assess whether risk management strategies in use are effective or not. However, a systematic method to approach risk management is needed in SMMEs to deal with the risk determinants effectively (Falkner, 2015).

2.5 Empirical Literature

This section provides an empirical review of relevant literature conducted on the risk management strategies of Small Medium Micro- Enterprises (SMMEs). The section is very important because it aids the researcher to synthesize existing empirical work on the subject in order for relevant research method(s) to be adopted.

Most of the empirical studies on the risk's management of SMMEs apply to case studies and qualitative research design. Verbano and Venturini (2013) for an example, conducted a study to establish the managing risks in SMEs, how to manage risks, and the types of risks facing SMEs. The purpose of the study was to analyse all existing literature concerning the application of risk management in SMEs from 1999 and early 2009 to map the issues that have been investigated and to suggest guidelines for future research. The study constructed a database of 33 articles and the interpreted data with respect to the areas of major interest for the risk management field, to identify the collection of papers for review. Verbano and Venturini (2013) conducting their study through

a search of electronic journals on compendex, emerald, ebsco and others. The finding of the study shows that risk management is the major issues in large corporation that hinders the development and sustainability of SMMEs.

Chimucheka and Mandipaka (2015) conducted a study to establish SMMEs as the backbone of the country in the reduction of unemployment rate and increasing economic growth and aiding poverty reduction. The purpose of the study was to investigate challenges faced by SMMEs and the extent to which the challenges affect them. Applying the qualitative research design, interviews were used to collect data from participants of the study which was conducted in the Nkonkobe Municipality. The study revealed that SMMEs are the backbone of the country, especially as employment creators. On the other hand, Ayandibu and Houghton (2017) sought to emphasize the importance of SMMEs in the country. The analysis was based on a subgroup of the whole population. Sequel to the notion that the number of SMMEs in South Africa is not readily known, there was no sampling frame for the study. The study used the purposive sampling method within non-probability sampling in which the researcher's judgment was used to select the sample size participants based on a range of reasons and premises.

Other studies such as Abor and Quartely (2010) and Hussian and Farooq (2012) consider the SMMEs as the engine of the economics of the country. For instance, Rungani and Potgieter (2018) conducted a study on the impact of financial support on the success of Small, Medium and Micro Enterprises (SMMEs) in the Eastern Cape Province of South Africa. The aim of the study was to determine the relevance of financial support offered to SMMEs by both private and public sectors on the success of businesses. The study applied a post-positivist paradigm that used a qualitative research design. Questionnaires were self-administered to assess the relevance of financial support offered to SMMEs by both private and public sector. As part of the analysis, multiple regressions and correlations were computed to test the research hypothesis. The findings of the study suggest that SMMEs success is positively and significantly correlated with financial support for both the private and the public sectors.

employed both qualitative and quantitative research design. Random stratified sampling technique was used to draw a sample of 100 manufacturing SMMEs from the population of 329 registered manufactured in Botswana. Descriptive and inferential statistics were used to analyse “the

collected data. One of the findings of the study showed that most of the manufacturing SMMEs started their businesses with their own money. Similarly, Baporika (2016) conducted a research on the factors hindering the growth of SMMEs. The aim of the study was to explore factors hindering small and medium-sized enterprises (SMEs) growth. The study was conducted in the study area of uMkhomas region in Namibia. The study employed a qualitative research approach. Thus, interviews and deep observation were used to collect data. The sample and population of the study comprised all the small businesses located in uMkhomas Municipality. The findings of the study showed that the SMEs experience challenges such as theft, security problems, and misunderstanding with the customers. The identified challenges were considered to hinder the growth of businesses. The study also indicates that businesses are unable to keep the pace with changing technology which impacts their business environment.

In another study, Ngoepe (2014) conducted research which aimed at investigating and understanding the role of records management in identifying risks in the public sector. The study adopted the quantitative research approach and data was collected through the use of questionnaires which were administered to government bodies in South Africa. Although the study established that there is a reciprocal relationship between risks identification and records management, the findings of the study also indicated that most government bodies in South Africa lack records management and risks-mitigating framework or strategy. The study also showed that out of 171 questionnaires distributed, only 94 that was attended and thus attained 55% response rate.

Kruger (2018) conducted a study on informal risks management practices on SMMEs. The aim of the study was to identify whether there are inherent innate decisions taken by SMMEs that constitute an informal risks management process. The study was conducted with a targeted population of the small, medium, and micro enterprises (SMMEs) within the Gauteng province, because the largest population of SMMEs in the country are majorly situated in Gauteng. The sample frame for the study comprised a sample of SMMEs within the Vaal region of Gauteng Province. Data was gathered using non-probability sampling technique. Thus, face to face interviews were conducted with selected participants for data collection, due to the nature of qualitative research, based on sample size no clear guideline existed when it comes to the suggested sample size of qualitative study. The population for the study was the small medium and micro

enterprises within the Gauteng. The data was analysed and coded using Atlas.ti Version 7 for windows, coding was done directly once the participant verified the transcripts this was happen after each interview and data collection continued until data saturation was reached. The findings of the study revealed that based on the interviews the participant have produced the important insight that SMMEs do not have formal risk management system and are only depend on judgement in both identifying and responding to risk, it was also indicated that formal risk management system also depend on their personal experience. The findings of the work of Kruger (2018) show that 71% of the majority of participants showed interest in a SMMEs risk management system. The remainder of participants were hesitant but not opposed to a SMME risk management system due to expected costs of implementing the system.

Mwangi (2013) conducted a study on relationship between risk management and financial performance of the top 100 Kenya SMME. The study aimed to establish the nature of relationship between risk management and financial performance of Kenya SMME sector. The study adopted a descriptive research design, with a sample size of 50 SMME located within Nairobi and its environs were selected from the population of the top 100 SMME in Kenya, using judge mental sampling. The response rate was 80%, which comprised 40 SMME. Questionnaires were used for data collection and SPSS Version 17 was used for data analyses. The findings of the study revealed that top 100 Kenya SMME applied risk acceptance and risk diversification to a great extent compare with other techniques such as loss prevention. The study also revealed that risk management technique, that is avoidance, loss transfer, loss avoidance and risk diversification had a negative effect on financial performance with coefficient of -0,022-0,029, 1 -0,032 and -0,007 respectively. Ngibe and Lekhanya (2019) also conducted a study on critical factors influencing innovative leadership in attaining business innovation. The targeted population was 400 manufacturing SME operating in KwaZulu-Natal. A quota and convenient sampling were used to determine the sample size and the study adopted quantitative research approach to understand and determine the critical factors that affect innovative leadership in obtaining innovation and sustainable growth in manufacturing SMME. A quota and convenient sampling were used to determine the sample size. A5-point Liker scale questionnaires design was used a data collection instruments. Statistics analysis was conducted using SPSS (version 25.0). The findings indicated that innovation is affected by lack of educated leadership and qualified workforce. The findings of

the study also revealed that rapidly technology changes impact on innovative leadership ability to acquire up-to-date technology advancement

Baporikar, Nambira and Gomxos (2016) conducted a study on the factors hindering SMEs growth: evidence from Namibia. The study was conducted at Namibia, and the aim of the study was to explore factors that hinder SMEs growth in Khomas region of Namibia. The study used qualitative approach with a case study research design. Observations and face to face interviews were adopted for data collection and content analysis was also adopted to analyse data using themes. The findings of the study show that SMEs lose so much profits because of theft that's happening inside the shops. Based on the results of the study, it is recommended that SMEs should install cameras to reduce the crime rate and they should also hire security guards. SMEs are admonished to invest in the installation of cameras to keep an eye on every move of the customers. In this regard, crime rates are expected to reduce.

Unlike other studies that applied quantitative data methods, Chimucheka and Mandipaka (2015) applied qualitative research design which has advantage to the participants to feel free and elaborate more in whatever they may wish to add. Meanwhile, aiding the qualitative research design were purposive sampling method, focusing on face to face interviews as a means of data collection instrument. The study confirms that SMMEs development and sustainability are hindered by competition, lack of planning skills, lack of financial support from government and poor managerial skills. Therefore, it was recommended that there is need for the government to put more effort in supporting SMMEs development and its sustainability in terms of finances. It was also recommended that the government should make means to support SMMEs with equipment while SMMEs focus on hiring employees with good planning and managerial skills.

2.6 Conclusion

This chapter reviewed a wide array of sources on key topics, concepts and constructs that are relevant. These included SMMEs, risks management and enterprise risks management. In the chapter, the challenges that South African SMMEs face, attempts to alleviate these through special agencies were presented. The specific challenges that small businesses in the country face in growing and developing dominated the discussions. The chapter ended with empirical studies that have been conducted in the areas relating to risks management and SMMEs. The views from the

literature point out to the importance of SMMEs. Most scholars held the view that given the importance of SMMEs in job creation, employment development and poverty alleviation, SMMEs should be widely supported, with all the challenges and risks affecting it in South Africa addressed. In addition, the chapter met all the research objectives the study was intending to answer.

CHAPTER 3

RESEARCH METHODOLOGY

The previous chapter presented the review of literature relevant for the study. This chapter presents the research methods used by the researcher to collect and analyse the data for this study. The chapter covers research approach, population and sampling, area of the study, data collection method, data analysis, ethical considerations and limitations of the research. The researcher reviewed the literature on research methodology to be aware of the strength and weaknesses of the different research methods to be used. This assisted the researcher selecting appropriate research methods for this study.

3.1 Research Design

Research design is the plan that is created to answer the research question that is used to test research hypothesis (Ang, 2014). According to Ang (2014), it is seen as the blueprint that is used to address the research questions and issues. Sekaran and Bougie (2013) state that research design is the plan used for the collection, analysis of data and measurements based on the research questions of the study. On the other hand, Bryman and Bell (2011) opine that research design delivers a context of the collection and analyses of data.

In this study, the qualitative research approach was used. There are dissimilar research approaches which are qualitative research design and quantitative research design. Qualitative research design is based on producing and analysing the non-numerical data. It can take the form of beliefs, articulated feelings, opinions and perspectives where the researcher seeks to find an explanation for the problem. Also, qualitative research is less structured than quantitative. Additionally, quantitative research design involves large amount of data which can be based on counting the numbers and calculating the sample statistics in relation, therefore table 1 below present differences between qualitative and quantitative research.

Table 3.1: Qualitative Research versus Quantitative Research by Eyisi (2016)

Qualitative	Quantitative
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Discovers ideas used in exploratory research with general research questions	Involves specific research questions or test hypotheses
Usually interprets and observes a phenomenon	Deals with test and measures
The researcher is intimately involved, findings are said to be subjective	The researcher is an uninvolved observer, and findings are said to be objective

3.2 Research Approach

In this study, the qualitative research approach was used due to the fact that it deals with participant's opinions and their views on the effect and implications of risks management on SMMEs. Therefore, by using qualitative approach, the study sought to explore in depth strategies used by SMMEs to mitigate risks in the selected municipality. Quinlan, Babin, Carr, Griffin and Zikmund (2018) defined the qualitative research approach as that which allows a researcher to provide interpretations of the phenomena and addresses objective(s) through techniques without depending on numerical measurements. Another explanation is provided by Creswell (1994) who mentions that qualitative research approach is the analysis procedure of understanding based on separate methodological traditions of analysis that explore human problem(s).

Qualitative approach according to Stumpfegger (2015) provides a methodical approach to a studying phenomenon within a specific context. Furthermore, qualitative approach deals with text, opinions, observations and interpretation of such. The study used qualitative method which was focused on how individual(s) or groups understand and view the world and then construct meaning out of their experiences. Therefore, the aim of this study is to explain and ultimately describe the types of risk management strategies for SMMEs in uMhlathuze Municipality in KwaZulu-Natal Province of South Africa. The importance of using qualitative research approach is that it helps the researcher to understand how people feel, behave, think and react in the way and manner that they do (Eyisi, 2016).

There are advantages and disadvantages of using the qualitative research approach according to Rahman (2016). Some of the advantages are as highlighted below:

Advantages:

- Qualitative research approach can be constructed and reconstructed as it has flexible structure design to a great extent.
- Qualitative research approach is viewed as an ideographic research; the study of events and individual cases and it has abilities to understand people's voices events and meaning. Therefore, in this approach the source of familiarity is the meaning of different events.
- Qualitative research approach construes the connotation of participant's action and also produces detailed portrayal of participant's opinions, feelings, and experience(s).
- In qualitative research approach which employs instruments such as unstructured interviews, direct observation, participant-observation, describing records are most commonly used for the data collection. The researchers interact with the participants directly during the collection of data.

Disadvantages:

- In qualitative research, one can generalise the results to the larger population in only a very limited way and the analyses of the cases take a considerable amount of time. For an example, if a legislator needs to vote an issue, s/he cannot wait for three months for a qualitative study to be conducted.
- Qualitative research approach concentrates supplementary on meanings and experiences, and sometimes leaves out contextual sensitivities, in order to interpret, uncover and understand participants' experience.

3.3 Data collection method.

According to Kumar (2019) data collection method is the procedure by which the researcher gathers the data from respondents and/or participants in order to find answers to the research problem, test the premise and analyse the results. As stated above, the study relies on the semistructured interviews. Kabir (2016) argues that data collection method is method medium of collecting and assessing information on variables of interest in an established methodical fashion that enables one to answer stated research questions, test hypothesis and evaluate outcomes. Semistructured interviews were employed for data collection in this study because they allow the

participants to elaborate more on their answers. In other words, it allows for in-depth information. For instance, it also allows the researcher to ask additional inquiry questions to scrutinize the issue thoroughly and to understand the reasons behind the participant's answers. The steps of qualitative data collection instrument progress were followed in scheduling the conducted semi-structured interviews. The interviews were done face to face, which allowed the interviewer to seek clarity by asking more question(s) and get better understanding of the answers given by the participants.

3.3.1 Interviews

Interviews are an effective qualitative tool for getting information from people about their personal feelings, opinions and experiences and gives a researcher an opportunity to get insights into how people interpret their surroundings (Ang, 2014). Jacob and Furgerson (2012) defined interviews as a significant information gathering method involving verbal communication between the researcher and the subject.

The researcher used face to face interview method to investigate about the risk management strategies of SMMEs in retailers and manufacturing industry of uMhlathuze Municipality. This instrument was used to generate information from business owners and managers of uMhlathuze Municipality. On the other hand, purposive sampling was used to select participants which are business owners and managers, due to the fact that they are knowledgeable about the risks they are facing and also strategies they use to mitigate such risks.

Interviews were undertaken by the researcher to obtain as much information as possible. Semistructured interviews were adopted since there is a huge chance of probing questions that can be raised during the interview process. A semi-structured interview is a qualitative data collection strategy where the researcher asks the informants a series of pre-set but open-ended questions (Adams, 2015). An interview schedule was prepared containing a list of questions that was approved by the supervisor and the faculty. The interview schedule contained open-ended questions as these were undoubtedly best suited to help the researcher to gain more information as possible, as open-ended questions also allow participants to elaborate more if they feel like. Also, open-ended questions allowed the participants to answer the questions in any way they choose and explain further when and where they want (Sekaran & Bougie, 2016). This helped the interviewees

to elaborate more to their answers and it helped them to answer freely and that gave the researcher unblemished understanding on what the participants meant with the exact answer.

Bolderston (2012) states that semi- structured interviews work best when:

- The interviewer has a number of areas of issues to be addressed
- When there is only one chance to interview someone

There are advantages and disadvantages of using open ended question proposed by Quinlan, Babin, Carr, Griffin and Zikmund (2018) as well as Business Research Method(second edition, 2018).

Advantages of open-ended and close- ended questions:

- Participants are allowed to go further with their answer, to include more information, attitudes, feelings and understanding of the subject without being limited to their answers.
- They help in obtaining demographic information and personal information from the participants, meaning that they even allow unusual responses to be derived, replies that the researcher may not expect.
- The silence of respondents can be explored as well as their level of knowledge and understanding of the subject matter.
- Participants are not allowed to simply disregard reading the questions and just fill-in the survey with all the same answers.
- Closed questions answers are easily to be processed. For an example: respondents in questionnaires they are not writing, explaining or elaborating their answer but they are just ticking or clicking any answer from their choice that is being given or provided.
- Close questions are not time consuming as respondents are not expected to elaborate on the answers, but instead of that they are just ticking, crossing or clicking.

Disadvantage of open ended and close-ended questions:

- They can be time consuming and more efforts are demanded to respond to the question which delays the researcher to complete data collection in due time.
- Analysis relies on coding and that is difficult, costly, and time consuming, in closed questions all answers should be catered therefore it difficult to force answers through, this practice maybe difficult to achieve due to the long list of possible answers.

- In close ended questions it is tough to make force answers through. This is because all possible answers should be really catered for

3.4 Description of Population

The population of a study refers to the entire group of people, events, or things that are of interest to researchers, in which they wish to gather information and make decisions (Sekaran & Bougie, 2013). The target population of this study was all the SMMEs located in uMhlathuze Municipality, since the study was conducted in uMhlathuze Municipality, under the King Cetshwayo District. uMhlathuze Municipality is a territory area in King Cetshwayo District of Kwa-Zulu Natal Province of South Africa.

The reason for focusing on this population was because small businesses are the victims of risks that occur in the operations of the business. According to the database 2018/2019, the registered SMMEs at uMhlathuze Municipality are 205, which make up the population of the study.

3.5 Sampling

According to Pilot and Beck (2006), sample size is usually determined based on the informational needs and in qualitative studies, the sample size is approximately 10 or till data fullness occurs. Bryman and Bell (2011) defined sample as the division of the population. Whereas Ang (2014) states that sample is the sub-group of the population which is drawn for the purpose of making conclusion. Purposive sampling was used in this study, mainly because the researcher has specific targets in mind, and for this reason, purposive sampling was used to select research participants who participated in the study. The research participants were purposefully selected based on their understanding and knowledge of the topic, their understanding and knowledge is based on their working years of experience, as their experience have been a best of help to the study Creswell (2011) opines that purposive sampling is a technique which selects participants based on their knowledge which will best help the researcher understand the research gap and they must be willing to share and reflect on this knowledge. The researcher specifically targeted participants who are involved in risk management within SMMEs. However, where no particular individual is responsible for managing risk, the researcher targeted business managers and owners as they have experience from their working years, 16% of the participants were from the medium sized businesses with 11 to 12 years of working experience and they started their businesses as small

businesses up until they developed to the medium sized enterprises. Their knowledge and experience were much of help in this study. Another 16% of the respondents were from the micro enterprises, and they were between 9 to 10 and 7 to 8 years of working experience. However, the highest percentage 33 % of the participants was from the small businesses who are trying so hard to grow and develop. Their years of working experience were between 2 to 3 years and 4 to 6 years.

Bengtsson, (2016) states that in qualitative studies, it is important that information is based on 1 to 30 informants. The sample size was drawn from the population; therefore, sample size of the study was 1 up to 30 participants or till saturation is reached, of which 6 of these participants was generated from the manufacturing industry and another 6 from the retail industry. Whilst a maximum number of participants has been determined, the researcher was mostly guided by the suggestion by Saunders (2018) to obtain data until data saturation is reached, that is, where the researcher was not getting any new information from the participants.

3.6 Data analysis method

Data analysis is a method of converting, inspecting and demonstrating data with an aim of discovering useful information (Gorunescu, 2011). Content analysis was used in this approach to analyse the collected data with the aim of interpreting the valid collected data. According to Neuendorf (2016) content analysis is a systematic approach to qualitative data analysis that identifies and summarises the message content. Sekaran and Bougie (2016) state that content analysis is an observational research method that is used to systematically evaluate the symbolic content of all forms of recorded communication. Such message content may refer to brochures, books, written document, transcript, new reports and visual media; this make sense of all the data that has been collected from various sources.

Data was categorized and classified to highlight the important findings of the study and then discussed in depth with the aim of proffering answers to the research questions guiding the study. Gawer and Cusumano (2014) mention that content analysis is very useful when working with materials such as books, journals and to generally analyse qualitative responses from interviews, surveys and open-ended question. Themes were used to analyse data that was collected from the participants. The objectives of the study that were analysed qualitatively are objective 1, 2, 3 and

4. The researcher gave comments and recommendation on the findings gained from the study.

3.7 Pilot testing

The researcher carried out the pilot testing in three SMMEs of uMhlathuze to get a feedback and to discover whether the questions were clear and well understood before the actual collection of data for the study. This aided the researcher to identify the problems associated with the research instrument and correct them appropriately.

Piloting testing questions according to Sekaran and Bougie (2013) helps to ensure the following:

- Infuse interviewers with greater sense of sureness and provide them with some experience of using it.
- Identifying irrelevant question(s).
- Identify question(s) capable of making participants to feel uncomfortable and lose interest at any stage of the interview.
- Identify ambiguous or superficial question(s) that appear not to be understood.
- Identify questions that may be confusing and or pose threat to the interviewees.
- Identify question(s) which need rephrasing/ paraphrasing in the interview schedule.
- Pilot study allows the researcher to conclude the adequacy of commands to interviews.
- It may be possible to check whether it is essential to move some of the questions around to improve this feature and to consider how well the questions flow. Such can be achieved through pilot study.

3.8 Validity

Validity explains the actual area of investigation on how well data has been selected (Taherdoost, 2016). research is based on the fact that validity is a matter of trustworthiness, utility and dependability that the evaluator and different stakeholders place into it (Zohrabi, 2013). Validity is ensuring the truthfulness and again ensuring that the research evaluates what it is supposed to evaluate. Furthermore, validity is dependent on the quality of data collection instrument(s) (Zohrabi, 2013).

3.9 Content validity

To ensure content validity, the researcher adhered to the advice of Zohrabi (2013) to have the data collection instruments and data reviewed by experts in the research field. This helped to ensure that unclear and obscure questions were reviewed and complexity of questions, considered. Questions were face validated by experts. Thus, irrelevant questions were removed based on the guidance and suggestions of experts.

3.10 Credibility

The research instrument was discussed with and approved by the supervisor who is an expert in the field. The approved instrument was adopted for data collection in this study. Internal validity is important in qualitative research, as researchers are able to demonstrate the reality of the participants through detailed description of the discussion. The researcher had all possible interview questions assessed by the supervisor.

3.11 Ethical Consideration

The researcher will adhere the ethical aspects, firstly getting authorization from the participants to be interviewed. The researcher will protect the self-hood of all the participants will be participating in the interviews for the study. The information attained from the participants will be used for the purpose of answering questions only to this study. Permission will be sought from all the participants that will be helping in order to attain the data. It is of highest importance to respect the view of all participants, and the researcher will impose no demand over the participants, but they will decide to volunteer it's all in their hands to participate. If any participant happens to change his/her mind about participating in the study, that person was free to withdraw without any conflict. Lastly, the researcher followed the rules and regulations set by the University of Zululand.

3.12 Conclusion

In this chapter, the research visited different methodologies that can be used in writing research. A Qualitative research method was used for data collection the researcher collected data from the owners and managers of SMMEs in the retail and manufacturing industry in uMhlathuze municipality. The data was analysed using content analysis and Nvivo software.

CHAPTER 4

DATA ANALYSIS AND DISCUSSION

The previous chapter outlined the research methodology used in this study. This chapter presents the qualitative data obtained from SMMEs located within the uMhlathuze Municipality, analyses data, and interprets the findings. Specifically, data were obtained from the business owners and managers of SMMEs located in uMhlathuze Municipality with a number of working experience. This chapter is discussing the finding using the themes, and Nvivo software. Section 4.1 discusses demographic characteristics of the participants. In section 4.2 types of risk to which SMMEs are exposed are identified and discussed. Section 4.3 and section 4.4 discusses the impact of risks on SMME survival and implications for business management respectively. Section 4.5 discusses the strategies used by SMMEs to mitigate against the identified risks. In section 4.6 the study evaluates the effectiveness of the strategies used by the firms.

4.1 Demographical Data of Participants

The findings of this study were analyzed using content analysis. During the analysis, the researcher treated all data collected with confidentiality and all respondents were allowed to maintain anonymity throughout the process. No personal information was therefore collected from the participants. The study interviewed 12 participants, 6 participants from the retailers' industry and 6 participants from the manufacturing industry. The researcher reached saturation whilst still in the process of data collection process.

Table 4.1: Gender of participants for the study

Gender	Frequency	Percentage
Male	9	75
Female	3	25

Total	12	100
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Table 4.1 shows that 16% of participants were between the ages of 27-37, while 25% were between the ages of 38-47, 33% between the age of 48-57, and 25% were between the ages of 58-67. The finding shows that majority of the participants were between the ages of 48-57.

Table 4.2: Age of the participants for the study

Age	Frequency	Percentage
27-37	2	16
38-47	3	25
48-57	4	33
58-67	3	25
Total	12	100%

Table 4.3. Indicates that while 75% of the participants were African, 25% were Indians. This shows that there were more African participants to this study, while there are no Coloured or Whites.

Table 4.3: Race of the participants for the study.

Race	Frequency	Percentage
African	9	75
Coloured	0	0
White	0	0
Indian	3	25
Total	12	100%

Table 4.4 shows work experience of the participants. Of concern is the few numbers of years of experience the majority of the interviewees had. About 67% of the participants had less than 6 years' experience in business. This might limit their knowledge of the

Table 4.4: Working Experience of the participants for the study

Years of working experience	Frequency
2-3	4
4-6	4
7-8	1
9-10	1
11-12	2
Total	12

4.2 Types of risks that affect SMMEs located in uMhlathuze Municipality.

Themes presented the following analysed data, therefore in this section then outlines the types of risks that affect SMMEs in uMhlathuze Municipality. The first objective of the study was to identify the types of risks threatening SMMEs in uMhlathuze municipality. The participants were asked what the types of risk are they are facing in their operations. The researcher used the codes to differentiate participants views or opinions, as per there statement. The following risks were outlined by the participants:

4.2.1 Financial risk

The study found that both SMMEs from the manufacturing and retail industries are struggling and suffering from a lack of finances which affect their business growth and development. For instance, about 33% of the participants from manufacturing were of the view that financial risk is their major challenge that hinders the growth and development of their businesses. Furthermore, the participants explained that these risks limit their sustainability due to the loss of customers. This finding supports the work of Baporikar (2016) who state that financial risks have become major risks hindering the growth and survival of SMMEs. Moreover, Abor and Quartey (2010) hold the view that financial risks are the major issue hindering any sector or any firm from growth, therefore

this issue must be considered seriously if the small businesses are going to grow and become established.

This finding of also supports the work of Mutoko and Commercii (2017) who state that the lack of access to finance and credit particularly from financial institutions like commercial banks is a long-standing problem with most SMMEs in Africa. In congruence, participant 2, pointed that, *“I face financial risk and credit risk; people do not pay in time after the work has been done. These risks present pose negative impact on my business and the negative effect result to failure to grow and failure to develop. This is because the times we face financial constraints the business grow slowly”*. In addition, 67% of the participants from retailers also pointed out that financial risks have been and still are a threat to the growth and development of the business. They further mention that the main reason for the high failure rate of small businesses is caused by financial constraints: *“Financial risk has brought nothing but difficulties in my business in terms of growth, development, and sustainability. I don’t see any progress due to challenges I face as a business owner; I am jumping in one circle.”* This statement concurs with the report of Sitharam and Hoque (2016) who argued that SMMEs are not provided with enough finance. SMMEs lack knowledge on what to do or where to go to attain funding, and others do not meet requirement for funding (Sitharam & Hoque, 2016). Moreover, SMMEs financial market also reveals that South Africa has a variety of funding programmes and financing schemes by the funding agencies of both the public and the private sectors (Rungani, 2018).

4.2.2 Covid-19 risk

Many businesses have experienced losses due to the pandemic as mentioned by the participants. The pandemic forced the South African government to shut down most economic activities in order to curb the spread of the Covid-19. The lockdown negatively impacted the operations and existence of many businesses. Some businesses were often left with unsold stock. Analysed data from participants of this study showed that many clients or consumers had been lost since many people (customers) have stopped buying as they either lost their jobs and some were temporarily laid off or retrenched due to Covid-19. In addition, 50% of the participants from retailers were of the view that covid-19 has left a negative mark, as they cannot afford to get clients. This statement is in congruence with the work of Rangiwai, Chand, Mataroa and Kaharoa (2020) who state that Covid-19 has created so much pressure to businesses community and employees who are fighting to regain strength. For instance, one participant pointed out that *“Covid has affected my sales and*

that put my revenue at its minimal as we are following the COVID 19 restrictions, for example, my shop is very small there I cannot have more than five people inside my shop, as the COVID restrictions prohibit that which led to my customers waiting outside. while am still busy with the two customers inside and sometimes it's disappointing that my other clients become very impatient and leave, which is very bad for the business because when the customer leaves it means I lose money that affects the business profit".

The analysed data showed that about 67% of the participants from the manufacturing industry pointed out that they also lose massive sales because of covid-19. The restrictions that were put in place by the government have impacted everyday business activities. They also mentioned that customers get irritated on wearing the mask for a long time especially in a small space since the store is not big therefore that result in the loss of sales as customers go elsewhere to buy. One of the participants reported saying: *"Covid-19 have negatively impacted my business profit, I have experienced so much loss due to covid 19 restrictions, since customers don't like wearing the mask for the long time worse in the small space, therefore they go buy somewhere else, and that makes me doubt that my business will ever bounce back again and make profit like before restrictions of covid 19"*. This statement aligns with one of the findings of the work of Shehab (2020) which asserts that numerous businesses have been losing massive sales lately due to covid-19 that has also impacted individuals globally. This is due to the rules and regulations put in place to decrease the spread of the disease (Shehab, 2020).

4.2.3 Reputation risk

The study found that reputation risks present a bad image to some of the businesses which results in loss of sales, as they lose customers due to bad image and bad reputation presented by such risks. For instance, 16% of the participants from manufacturing were of the view that reputation risk is the reason why a majority of SMMEs do not last longer than a year or two in the market. As result, such risks present a bad image and bad publicity to the business. The bad reputation of the business can destroy and hinder business development. Similarly, 33% of the participants from the retailers' owners point out that expired items brought back by customers ruin the reputation of the business and create a bad image for the business. As it takes forever to rebuild the business image. For instance, participant 4 said *"Expired items brought back by customers have made me learn in a hard way that bad reputation can kill the success of the business for good; therefore, the business must build a good reputation to its customers and in the society that is operating into to succeed,*

grow and develop". This statement supports on of the findings of the work of Maharaj (2020) who states that many small businesses are ignoring or underestimating the potential risks of a reputational damage. Thus, they seem to forget the role played by good reputation of the business in the market and to clients.

4.2.4 Inflation rate risk

The study found that some businesses are struggling to grow as they face difficulties in a change of prices. These changes negatively affect business profit, as a result business fail to pay their suppliers yet cannot just raise their prices. About 16% of the participants from retailers reveal that the inflation rate keeps on rising, as a result, hindering business growth. The rise of inflation forces suppliers to increase their prices, which forces business owners to also increase prices of goods and services to cover all expenses. This problem results to a loss of sales as the buying behaviour declines due to rise of prices: For an example, participant 2 stated that *"inflation rate presents negative impact in my business because prices go up and down, this causes distraction to the business operation and profit of the business, therefore I have to inform customers about price increase"*. This supports Oni and Omonona (2020) who mention that when there is increase in prices of goods and services individuals cannot buy as much as they could previously.

4.2.5 Lack of resources

The finding of the study showed that some businesses are failing in their early existence in the market because of resource scarcity. For instance, 33% of the participants from the manufacturer stated that they are suffering from lack of resources, such as machines needed to make cabbed, tables and chairs. Analysed data indicates that scarcity of resources distract day to day work activities, business profits, and the business growth. As a result, many businesses experience a loss due to scarcity of resources. This also results in bad business image. Moreover, participants further stated that they wish to get enough machines or new ones that can improve their businesses. For instance, participants 6 reported saying *"Scarcity of resources is affecting my business very bad as I sometimes lose sales, as a result, it happened often that I have to go to Dlangezwa to put burglars but due to lack of resource I will fail to do so, and I will fail to the point that the client ends up losing tempered and deciding to look for someone else who can do the job"*.

This statement coincides with Ogunsanya (2020) who asserts that in KZN, countless number of SMMEs fail at their early stage of existence due to lack of resources; the scarcity of resources is indeed a threat to the SMMEs growth in KZN.

Additionally, 67% of the retailers reveal that scarcity of resources is delaying their everyday work activity. They further reported that they find it difficult to do complete work due to scarcity of resource as sewing require machine. Therefore, scarcity of resources is really playing a huge part in poor performance of businesses. This results to high failure rate of business. For instance, participants 4 reported saying *“Scarcity of resources is distracting a day to day work activities, as we all know that without resources there is no work, it difficult for me to grow my business as I still have scarcity”*. This agrees with Nambira (2016) who states that the high failure rate of SMMEs it caused by the scarcity of resources. Moreover, Baskaran (2014) further agrees with the fact that SMMEs are surviving the short period in the market due to lack of resources whereas SMMEs are much needed for reduction of poverty, for equitable distribution of income and improving the lifestyle citizens.

4.2.6 Credit risk

Late payments that are being made by customers are impacting the business growth and development. It is usually very difficult for customers to pay, yet they always want to be provided with good services. Some of the SMMEs pointed out that they are struggling with late payment being made by their customers after the work has been done.

About, 50% of the participants from the manufacturing pointed out that late payment is hindering their business. They claim that people do not want to pay on time meanwhile others take a year to pay outstanding balance. For instance, participants 3 reported saying, *“for me it is hard to grow my business due to the fact that I don’t have enough resources. This results to poor performance on my business and my customer’s loose trust on due to late deliveries I have to make due to scarcity of resource.”* SMMEs are suffering from credit risk caused by the borrowers who fail to keep their promises of paying back the money in time.

Not only borrower’s, in some instances, for some, once the services have been rendered, they find it difficult to pay (Department of Planning, Monitoring and Evaluation, 2017). In support, 67% of the participants from the retailers pointed that credit being made by their customers has impacted their business growth and its development. Moreover, they further mentioned that people come to their shops and buy on credit, yet they fail to make payment on time and their failure to pay results

in failure of some of the small businesses. For instance, participant 1 reported saying *“My business is the victim of credit risk, customers failed to pay back the money as their agreement that has forced me to shut down my business for 4 months because I needed to pick up the pieces and start afresh after I experience so much of late payments due to trusting that customers will pay as their agreement. This supports Zairi (2012) who opines that late payments create distractions of day to day work activities which results to poor performance and sometimes the business experiences loss which leads to failure.*

4.2.7 Safety risk

The study found that some of the businesses are struggling to be safe and their businesses stock is not safe especially at night. The study further found that theft is a threat to business and police response is poor. About 16% of the participants from the manufacturing reported that they are struggling to grow their businesses because of theft. Moreover, they stated that the theft happening in their businesses does not only affect the business profit or day-to-day work activities, but customers’ trust towards their business. This is because the stolen stock delays the work, which in turn affects the business image. For an example participant 5, stated that *“I find it so hard to grow my business because of theft, I experience so much loss especial on month ends because I use to go and buy all different kind of linen to keep business going, however, thieves they broke my door and take everything”.*

In conclusion, this identified theme highlighted the various types of risks that negatively affect the business growth and operation. Participants believe that financial and access to credit will help the businesses to get the required resources to succeed.

4.3 The impact of risks on SMMEs survival and business operations

This theme explains the impact of risks on SMMEs survival and business operations. The participants were asked about the impact of risks to the SMME's survival and business operation. It was found that these risks present a negative impact on SMMEs. Participants stated that there is a high failure rate of businesses caused by these risks. However, some of the businesses are surviving with these risks. Furthermore, these risks present a bad attitude to customers and that results in a business loss. The impact that was identified is the failure to grow that is further discussed below:

4.3.1 Effects of Risks on Business growth

It was found that all the SMMEs selected for this study are struggling to grow due to the risks that they are facing. The participants highlighted that these risks have a negative impact on their business survival and operation. About 67% of the participants from retailers and 100% of the participants from Manufacturing were of the view that these risks present a negative impact on the survival of the business and its operation. For instance, participant 5 reported saying *“the risks I face as a business owner are very harsh for the business survival and its operation. I end up incurring loss instead of profit yet quitting never cross on my mind because I am positive even though these countless risks my business face are trying so hard to be a blocking bridge.”* This claim supports the work of Salami (2013) which shows that failure rate of small businesses has been growing rapidly due to risk management which are faced on daily bases. Amongst these are, lack of access to finances, interest rate, and inflation rate that always changes. In addition, the growth of businesses has decline in double as COVID made things worse than they were before. Furthermore, businesses have been working under restrictions that were put in place due to COVID 19. For instance, restrictions on working hours, the number of customers at a time, amongst others have negatively impacted the survival and operation of businesses. For instance, participant 2 stated that *“For my business, it will take time to recover from the loss I experienced due to Covid19”*. In addition, 33% participants from retailers were of a different view that these risks do not affect their business operation and growth, since they are new in the market. According to the sources the researcher reviewed, there was no study that supported this. Therefore, this gives the researcher new obtainable information.

Overall, the theme was of two different views: firstly, some participants view risks as having a negative effect on their business growth and operation while others consider it as otherwise, not affecting their businesses. This is, however, perhaps due to the fact that their businesses are new in the market.

4.3.2 Effects of Risks on Business Development and Sustainability.

This theme explains the effects that risks have in terms of business growth, development, and sustainability. The participants were asked about the effect of the risks they are facing in their business growth, development, and sustainability. The study found that the effects of these risks to the business growth, development and its sustainability are not good as they increase chances of failure rate of the businesses in the market. They further report that risks impact the business

growth and profit which results to failure to survive and grow. The effect identified by the participants was the negative impact on business growth, development, and sustainability while on the other hand the other, participants highlighted the survival of SMMEs. These two are as presented and discussed below.

Countless businesses have no control over the negative impacts of risks on business growth, development, and sustainability. This is regardless of the effort that have been put in to protect them. About, 67% of the participants from the manufacturing and 83% from retailers point out that these risks present failure in terms of business growth, development, and its sustainability. However, businesses are still surviving and striving for growth although providing to be challenging but achievable. For instance, one of the participants was of the view that *“the business tries to go on its terms to survive since I have 1 branch of SMMEs around uMhlathuze, where I should have at least 2. I can positively say that the business is growing slowly and also developing slowly with these risks”*. The participants further stated that these risks do not only present negative impact(S) on business growth but also bad attitude, and a bad image to the customers. Therefore, this disturbs the purchasing power of buyers and also delays day to day work activities.

For instance, participants 5 reported saying *“These risks are the reason for failure to grow my business. My business has been in the industry for quite some years now, but I don’t see much growth or improvement, as I am still owning this one branch and I find it very difficult even to expand this one”*.

4.3.2 Effects of Risks on Survival of SMMEs

Conversely, 16% of the participants from the retailers reported that these risks are not affecting their business growth, development, and its sustainability. This is as a result of their business being at an infant stage, therefore, everything is running smooth and according to plan, and surviving. Meanwhile, 33% from the manufacturing point out that they find it difficult to grow, they sometimes fail even to pay their employees on time due to these risks hindering their business growth. They further explain that they are not only struggling to pay employees but also to meet their target and pay their suppliers the full amount as agreed.

In conclusion, the theme generated two different views presented by the participants first was the negative impact that survival risks have on business growth, development and sustainability. The

other theme was of the survival of SMMEs. The participants reported that these risks present negative impact on business growth, development and sustainability. They further stated that such results to failure of business growth whereas other participants highlighted that some businesses are still surviving regardless of these risks. This is due to the fact that their businesses are still new in the market.

4.4 Implications of risks for business management

In this section, the participants were asked about the implications presented by the risks to the management of their businesses. It was found that these risks affect the business management in a bad way, and results in failure to last long in the market. Moreover, this failure to survive create bad attitude to customers and to their suppliers. The implications that was identified by the participants is the bad influence and bad attitude to customers.

4.4.1 Negative customer perceptions about Management

These risks affect business management very badly to the extent that majority of the businesses find it difficult to grow and develop as expected and desired. The study further found that these risks affect business management especially with regards to loss of sales. This is based on the responses of all participants from retailers who were of the view that these risks delay so much improvement on business and also present bad image to clients. The theme focused on bad influence and bad attitude to customers that was highlighted by the participants. The participants reported that the implications of the risks for business management are very hash and they further believe that the implications present so much distractions on business operations, profit, and as a result causes poor performance of small businesses.

4.5 Strategies used by SMMEs in mitigating risks

This theme outlines the strategies used by SMMEs to mitigate risks. The objective of the study was to analyse strategies used by SMMEs in mitigating risks they face. The participants were asked about the strategies they use to deal or respond with risks. The study found that SMMEs use many strategies in mitigating risks they are facing. However, the findings of the study showed that some of the adopted strategies are not as helpful as desired. The following existing strategies outlined by the participants are as presented and discussed in figure 4.1 below:

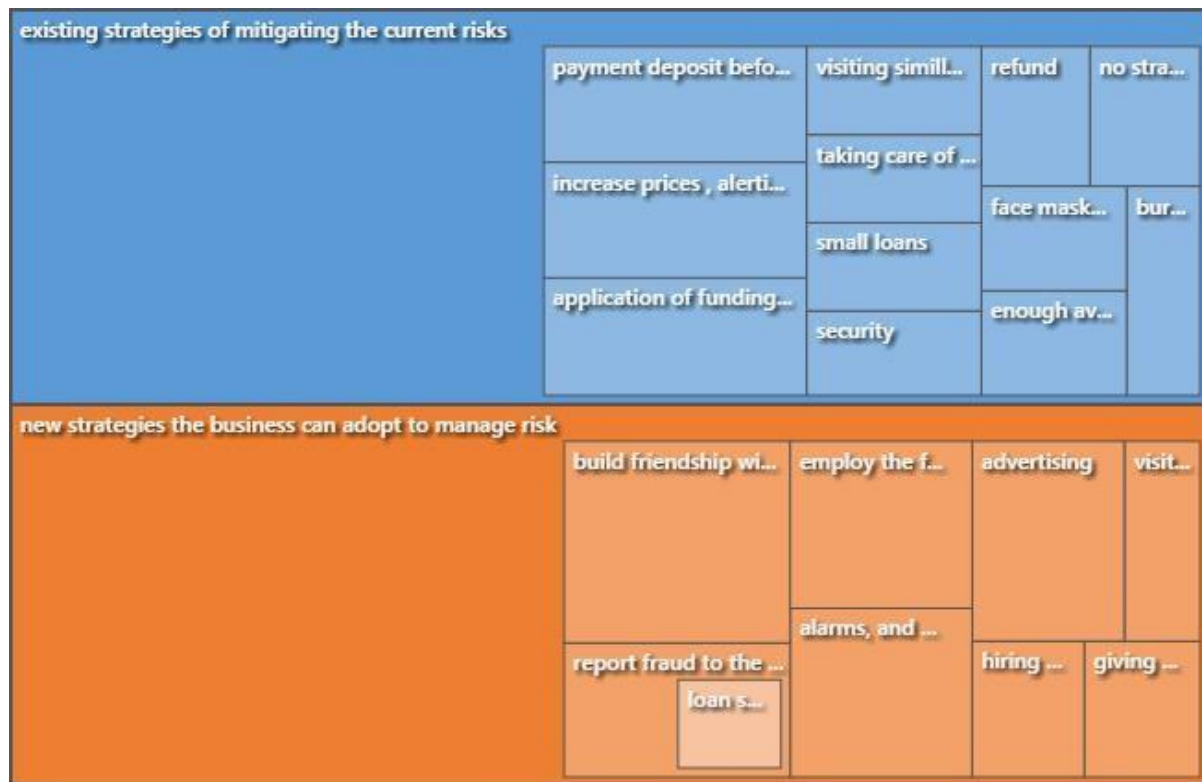


Figure 4.1: Existing Risk Management Strategies used by SMMEs and New Strategies they can adopt.

Source: Author Computation in Nvivo software

The hierarchical chart compares existing strategies used by SMMEs with new strategies that can be adopted by businesses in managing risks. The graph shows that SMMEs have strategies they use to mitigate risks; however, it is clear that these strategies used by SMMEs are not effective since they still feel the heat and still experience high failure rate in the market. In addition, the graph also shows that SMMEs have new strategies to deal with risks and they believe that these new strategies will be effective to the business growth. The study found that many business owners want their customers to pay the deposit before the job get started, some alert their customers about price increase when inflation has increased, and others apply for government funding in terms of financial constraints. Moreover, the study further found that there is one business owner who does not have any strategies to use due to new entry into a market. Considering adoptable new strategy, it was found that a high percentage of businesses are thinking of building a good and cordial relationships with their customers, employees, suppliers and community. They are also working towards protecting their businesses from any form of theft. Additionally, the next group prefers

advertising their businesses using social media platforms, and brochures to alert people about their businesses in order to make more sales.

4.5.1 Payment deposit

The findings have shown that SMMEs do face challenges with customers or clients with regards to payments. SMMEs reported that once the service has been rendered, the clients are no longer keeping the promise of paying for the service, therefore, the behavior of their customers has led to payment before the service is rendered. In addition, 67% of the participants from the manufacturing industry stated that they do not do the job without a deposit, as people do not want to pay once the job has started or after the job has been done. They further stated that they face difficulties when it comes to payment which sometimes results in physical combats between business owners and customers, and this ruins the image or reputation of the business. Thus, payment upfront is the best solution. For example, participant 11 reported that *“doing the job without payment deposit has put my business at minimal cost, I have experienced so much loss instead of profit because of trusting customers who are not trustworthy, who don’t do as the agreement was made, therefore I have decided to not start any job without deposit or finish without outstanding balance and that have improved my business profit, and its development so much”*.

4.5.2 Alerting customers about the price increase

It was found that some SMMEs have the best interest of their customers’ buying behaviour. They care about their clients, hence notify their customers about the rise of prices in advance. This avoids shock or resistance on clients. About, 33% of the participants from the retail industry stated that the increase in prices forces them to keep on changing suppliers. This affects their profit-making and hinders growth because they do not get enough time to know and build a relationship with the supplier before engaging in business with them. For instance, *“I cannot say we are reaching our best potential as a business. Increase of prices it affects my business profits, but to make sure that the business is not falling apart I ensure that I notify my customers in time about the price increase.”*

4.5.3 Visiting similar businesses.

It is important to learn from other associates how they are doing things, how they are surviving in the industry as some businesses are growing and developing, while others are not. Sequel to this, some business owners have more than one branch in different places, which is easy to achieve if

one allows oneself to learn from others, adapt their style, and move along with technology where one has to.

In addition, 33% of the participants from the manufacturing and 50% of the participants from retailers mentioned that they visit other businesses to see how they do things, how they are surviving from risks threatening the growth of other businesses. They further stated that they adopt their style of running business and apply some of the strategies that similar businesses are using to survive in the market and grow in the industry. For example, participant 7 reported saying *“My business has improved ever since I adopted the strategy of visiting other businesses that are similar to mine, I visit other similar businesses to attain knowledge, and see how they are surviving, which strategies they are using and how successful their business is”*.

Furthermore, they stated that visiting similar businesses has been a great experience and a huge benefit for their business. The knowledge gained has resulted in their business making amazing progress. This claim is supported by Carson (2018) who mentions that small businesses in are not shy of networking with other business owners and managers, visiting other businesses. Carson (2018) further states that networking strategy has improved the standard of these businesses, thus, failure rate has declined through networking and engaging their businesses with customers and staff.

4.5.4 Hiring private securities

It was found that other businesses hire private security as their strategy to make sure that their businesses are protected from theft, they believe that security is working in their favor.

In addition, 33% of the participants from the manufacturing reveal that they make use of securities, especially at night because things get out of hand. Having security guards is beneficial to businesses. For instance, participant 4 reported saying *“I have hired two security guards, they rotate, and this has improved the businesses growth, and crime has decreased so far”*. Furthermore, about 50% of the retailers agree with the use of securities as the strategy. They also believe that they see much difference in terms of shortage of stock, and shortage of cash on their balance sheet book. They further mention that hiring securities have improved business profits because more clients now prefer their shops as they feel safe compared to those without security guards.

4.5.5 Use of face masks and sanitizers

The study found that Covid-19 has put so many businesses at risks as the majority of businesses have lost massive sales because regulations were put in place, having the number of customers to enter the shop and working hours daily have made things worse on business activities and business profit. The restriction that was adhered to clear the air but not that much as some are still fighting so hard to make up for the loss they went through. However, covid-19 did not only present distraction to business profits but forced other businesses to exit the market due to failure to survive or win the battle presented by the pandemic. About, 67% of the participants are from the manufacturing industry and 83% of the participants are from the retail industry. The participants stated that they have lost massive sales due to covid-19 while ensuring that the necessary measures are adhered to. The findings further showed that customers do not enter the shop without wearing face masks and they also sanitize them at the door to minimize the spread of the coronavirus. Furthermore, they also ensure that there is social distance marking in the shops to ensure that the regulation is adhered to. For instance, participant 12 stated that, *“The strategy of sanitizing customers at the door and mask on before entry has improved the business profit because customers know that at least there are protected from the spread of covid-19 if there is no entry without the mask on, they come to buy although others are impatient of waiting for too long whilst serving others inside the buying behaviour have improved so much”*. In addition, the participants further mentioned that the strategy has improved profits of the majority of businesses that were falling apart due to Covid-19.

4.5.6 Home storage

Expensive stock is being taken home by the business owner for the sake of safety. As stated earlier, some businesses experience a shortage of stock or cash due to theft. About 16% of the participants from the manufacturing reported that they took stock with them when they knocked off. For example, participant 3 reported *“For now in the afternoon I take some of the staff (expensive linen sheet) home so that I will know that it is safe and leave the cheaper one within the shop. I so wish I can buy the new burglar, but I can’t simply because there are constraints in terms of finance”*.

4.5.7 Application of funding

It was found that some of the SMMEs in the manufacturing industry relied on the funding they received from the government and private sectors. This funding is the reason their businesses still exist in the market.

In addition, 16% of the participants from the manufacturing stated that they applied for funding from government and private sponsors to assist them to grow their businesses and the strategy is making a difference. However, it is a long waiting process, because after applying it takes months to get feedback let alone for the application to be processed successfully and the fund received.

Patience is therefore needed. For an example, participant 5 stated that, *“for the fact that my business is still existing in the market it is because of funding I kept on applying for, even though it takes time but when you get successful funded it really makes a huge difference”*.

In brief, the theme highlighted many strategies used by SMMEs to mitigate risks. The respondents believe that the adopted strategies are not effective as they still experience distraction and failure in the daily running of the businesses.

4.5.8 Government grants and other Sponsorships

It was found that some businesses use sponsorship applied for and received from government and private sectors. They further stated that the fact that their businesses are still in existence in the market is because of sponsorships. In addition, 50% of the participants from manufacturing reported that they go door to door, asking for sponsors such as Small Enterprise Development Agency (SEDA), and government is also supporting in improving success of small businesses. They further stated that waiting for sponsorship and the government is time-consuming and impact on the day-to-day work activity. For example, participant 8 reported saying *“My business is still existing and growing in the Market because of the sponsors I keep on receiving as I applied tiredness if it wasn’t for the sponsorship from the government my business wouldn’t make this far I would have failed with no doubt.”* This statement supports Bvuma (2019) who states that SMMEs are not scared or shy of going out seeking knowledge on how and where to acquire funding to grow their businesses since there are many sponsors for small businesses.

4.5.9 Promotions

About, 33% of the participants from retailers pointed out that they do promotions at the end of the month to regain and make more sales on some particular days. Therefore, to make those sales, they ensure that their stock is available and accessible on the shelves every time. They further stated that they ensure that all the stock is accessible in the shelves. For instance, participant 7, reported saying *“I make promotions to make more sales because if they are promotion customers come in sizes to buy. I make sure that have everything they need I make sure everything is visible and accessible”*. This statement corresponds with Adu (2013) who states that SMMEs are surviving

through balancing their working capital cycle by making sure that they manage their working capital cycle effectively and ensure that they have adequate stock holding in place.

4.5.10 Hiring employees from the community

The finding of the study showed that 16% of the participants from the retailers stated that they ensure that they hire people from the community, not people who live far from their shops. For example, participant 1, stated that *“The other strategy that I have used is hiring employees living around (from the community) not people from far or somewhere else, I hired people who are well known and become friends with them, I then ensured that we live like a family, and also be friendly with customers”*.

4.5.11 Deposit Payment Before the job is done

The study showed that about 33% of the participants from the manufacturing reported that they end up not doing a complete job without being paid all the balance. They further stated that they even ask for a deposit first before they start the job. In brief, the theme highlighted various strategies used by SMMEs in managing risks. Participants believe that these strategies are much effective and improving business profits and its growth. Moreover, participants further believe that visiting other business owners, doing promotions and payment before service really improves businesses. Thus, promotions attract more customers who end up noticing other products.

4.6 The effectiveness of strategies used by SMMEs to the business

The participants were asked about the effectiveness of other adopted tools used by SMMEs. The study found that all the business owners believe that the other tools they used were much effective since they witnessed a huge improvement. About, 100% of the participants from the manufacturing and 100% from the retailers reported that their strategies are effective as their businesses are still growing and developing. Most of these businesses revealed that they are surviving and growing by visiting similar business where they learn, adapt and move along with technology. However, others are surviving through support from different sponsors and government, in addition others are surviving through taking other stock with them home especially the expensive ones to make sure that they are safe. Therefore, the study found that SMMEs used different strategies and all of them are effective. For example, participant 7 stated that *“the tools are effective as the business is still operating in the market, and I believe that my business will grow one day”*. In brief, the theme

highlighted the effectiveness of strategies used SMMEs. The participants believe that these strategies are effective and help to improve the business.

4.7 Limitations to business growth caused by risks

The participants were asked about limitations which risks have on business growth. It was found that risks have limited the business growth. They further stated that it takes long for them to grow their businesses. In addition, 100% from the manufacturing and 83% from the retailers were of the view that risks have limited the business growth so much. As a result, small businesses are not surviving due to the risks they face. They further stated that these risks have even limited the business profit, and the business growth. For instance, participant 6, said that *“if I count on how many years I have been running this business, I must have at least three branches by now, but I still have one branch, due to profits I make it does not allow me to develop, therefore, the result of these risks have limited growth of my business and I don’t think I will ever win this battle, I have admitted that as long as this branch is operating that is still fine with me.”*

However, about 16% from retailers reported that risks do not limit the business growth since the business has never failed to implement any of the strategies that were meant to be used. Therefore, the business is doing well for now. In support of this, participant11 stated that. *“The business has never been limited in any movement or growth since the business is still new everything is going according the plan”*.

Surmise to state that the participants believe that these risks such as financial, resources, credit and others present so much limitation on their business growth, profit and development.

4.8 Importance of planning in ensuring that risks do not hinder business growth and development

The theme explains the importance of planning. The participants were asked about the importance of planning in ensuring that risks do not hinder business growth and development. The study found that the majority of businesses fail at the early stage of their existence due to lack of planning. The study further found that for businesses to grow, proper planning is needed from the foundation. The analysed data showed that 100% of the participants from both the manufacturing and the retailers hold the view that planning is an important tool to be used in order to survive in the market (industry). They further mention that without proper planning, a business is likely to fail at an early

stage of its existence. In addition, they added that for example, participant 10 alleged that, *“The importance of planning assists a lot because if you do anything unplanned or not properly planned it doesn’t succeed, therefore planning is very important, when you plan you look at several ways of doing business.”*

In conclusion, the participants believe that proper planning and proper research before doing business is very important. Hence, good decision making, and good strategies are somewhat attributed to good planning skills.

4.9 New strategies the business can adopt in managing risks apart from existing one.

In this section, the theme outlines new risk management strategies businesses can adopt in managing risks. The last objective of the study was to suggest new strategies the business can adopt in mitigating risks besides the existing one. Therefore, participants were asked about new risk management strategies they think they can adopt in mitigating risks. It was found that SMMEs have many new strategies they think they can adopt apart from those already in existence. The following are some of the identified new risks management strategies:

4.11.1 Technologies of the Fourth Industrial Revolution

Some of the businesses strongly believe that application of fourth industrial revolution can improve their businesses profit, growth, development and sustainability.

About 16% of the participants from the manufacturing were of the view that one of the new strategies they can adopt is to employ the fourth industrial revolution. This is expected to enable the business to look at new ways of doing things, like new technologies. For example respondent 9, said that *“when you burn a tire there is this smoke you don’t have to pollute to the environment, so the machine that you using must be environmentally friendly, you must ensure that pollution does not affect the environment”*.

4.11.2 Alarms and CCTV Cameras

The study found that some of the business owners believe that the new strategies they can adopt is to put alarms and CCTV. The analysed data showed that 33% and 50% of the participants from the retailers and the manufacturing respectively agreed that the new strategy they can adopt is to put alarms, and CCTV cameras to ensure that everything is traceable from outside and inside the business space. For example, participant 4 *“I strongly believe that if I can put cameras and alarms in my business that will be much helpful for my business growth and its survival”*.

4.11. 3 Advertising

The study found that advertising is the most valuable tool that many SMMEs think they can adopt. It is believed that advertising their businesses can be effective as this can make a business to become well-known and increase the bargaining power of buyers.

About 33% and 50% of the participants from manufacturing and retailers respectively believe that advertising their businesses on Facebook, Whatsapp, Instagram, Twitter, and tiktok would be a great idea since people are more into social media. It is also believed that businesses can also be advertised through pamphlets and posters. For, participant 12 said that, *“I believe that advertising my business can improve the growth and development of the business, I have seen other businesses progressing because of advertisement”*.

4.11.4 Positive employee’s relations.

Building good relations with employees and also with customers can benefit business growth, development, and profit of the business. The analysed data showed that 33% of the participants from the retailers and 16% of the participants from manufacturing were of the view that the new strategy that can be adopted by their business is to ensure that they have cordial relationship with employees and customers. It is believed that the existence of such cordial relationship will make it easy for businesses to get information from employees and customers. For instance, participant 10 said that, *“Positive employee’s relations will be the best strategy can be used by my business as it will be easy to get information and be alert of everything happening around the business that might be harmful to the business survival”*. They further believe that this strategy will not only benefit or improve the business growth but project positive image for the business.

4.11.5 Police involvement

The study found that majority of manufacturing business owners believe that involving police whenever they face challenges in terms of payment from their clients can help them. From the analysed data, about 50% from the manufacturing consent that their new strategy would best to involve the police in order not to take laws into their hands.

In brief, the theme emphasized of the adoptable new risk management strategies. Participants believe that advertising their businesses and implementing fourth industrial revolution can be much effective for their businesses. This is based on the notion that advertising is capable of attracting more customers and giving a business global recognition. They further believe that implementing

practices of the fourth industrial revolution can be also effective as they will adopt new style and new technology to their businesses.

In conclusion, the theme underlined different strategies adoptable by businesses in mitigating risk. The participants further believe that this adoption of new strategies will be effective on business and also lower the high failure of small businesses.

4.10 The extent to which new adoption strategies can be helpful

The participants were asked on the extent to which new adopted strategies can be helpful. It was found that many businesses believe that adoption of new strategies can be much helpful. It is believed that the identified new strategies can improve their business growth, development and sustainability. SMMEs from both the manufacturing and the retailers believe that these new strategies can be effective to their businesses as they believe that they can improve, their business growth and development. The analysed data showed that all (100%) of the participants from both the manufacturing and the retailers believe that their adoption of new risk strategies will be helpful and improve the business growth and business development. They further believe that their business profits will also be improved. Thus, the theme highlighted success on the adoption of new strategies. All the participants believe that the adoption of new strategies will assist small businesses and create opportunities for job seekers. This is based on the notion that the new strategies will help businesses fight risks that hinder business profit, growth, and development.

4.11 Preparedness of businesses in adoption of new risk management strategies

The participants were asked how prepared they were in the adoption of new risk strategies. The study found that the business owners are well prepared for the adoption of new strategies.

All the manufacturing SMMEs are well prepared of any adoption of new risk management strategies. The analysed data show that 100% of the participants from both the manufacturing and the retailers agreed that they are well prepared in the adoption of new risks management strategies. They further stated that they are very sure that the strategies would improve their businesses. For example, participant 9 said that *“the business is very prepared as it has experience failure before so we are very positive that this new adoption strategy will improve the business growth”*. They further believe that change of the strategies in businesses is needed at some point to achieve more.

4.12 Role can be played by government in mitigating risks faced by SMMEs

The participants were asked about the role government can play in mitigating risks faced by SMMEs. The study found that SMMEs in uMhlathuze Municipality all believe that the government can play a vital role in assisting small businesses to mitigate the risks that they are facing. They further stated that the government can assist them since the government is in custody of every tool they need. The participants identified the role the government can play in mitigating risks faced by SMMEs; these are as explained below:

4.12.1 Training and Workshops

The study found that government can assist SMMEs by providing more training, workshops, and conferences where they can acquire more knowledge, understanding, and successful tools useful for promoting their businesses. The analysed data showed that while about, 50% of the participants from the manufacturing consent that the government can assist with pieces of training in business management and opportunities in business, 67% from the retailers hold similar view. Many participants in this study hold the view that if there are new technologies, the government is expected to teach, train, and encourage the people to adopt such. “We need proper resources to help us grow in the industry,” a participant reported. Another participant further state that *“If the government can assist with more pieces of training where we can learn and be equipped with different tools that can be used to succeed in business as these pieces of training can also help us business owners to network and share different ideas”*.

4.12.2 Free classes and pieces of training

The study found that government can assist SMMEs by providing more training, workshops, and conferences where they can acquire more knowledge, understanding, and successful tools that can be used in achieving the desires of their businesses. Analysed data showed that about, 50% and 67% respectively of the participants from the manufacturing and the retailers agreed that it would be in order for the government to assist with trainings in business management and opportunities in business. Also, where there are new technologies the government can assist.

4.12.3 Theft reduction

The study found that many businesses are suffering from theft which results in the distraction of everyday work activities and loss of profits.

Analysed data showed that 50% of the participants from retailers and 67% from manufacturing reported that government can play a role in assisting business owners that are foreigners because

they are not well treated. Furthermore, they explain that their businesses find it difficult to grow because of theft, therefore the government through the police force can play a role in assisting them when they report their cases of stolen stock. They further explain that government and police can assist them by following-up the cases and carrying out proper investigation until the criminals are brought to book. One of the participants reported saying: *“I wish government and police can help us, foreign business owners we are losing massive of sales because of theft, we are not safe our businesses are not safe as well”*.

4.12.4 More resources and equipment

The study found that some of the SMMEs from manufacturing believe that the one of the roles of the government in helping can be in the provision of resources and equipment. This is because they are struggling to grow their businesses through the purchase of needed machines. The result of the analysed data showed that 50% of the participants from the manufacturer stated that the government can play a role in assisting them with more resources and equipment because they are struggling in terms of resources which are both expensive to buy and repair when damaged. One of the participants reported saying: *“Government can help us with more resources, equipment, and raw materials since I work with machines sewing requires machinery and raw materials to keep business going”*.

Participants were also asked if government intervention can assist SMMEs in managing risks. The study found that all of the business owners believe that government intervention can assist them to grow and develop. From the analysed data, 100% of the participants from manufacturing and 100% from the retailers were of the same view that government intervention can help in mitigating risks faced by businesses. They further stated that high failure rate of countless small businesses is the reflection of these risks. Moreover, the participants further state that government have the wherewithal needed to grow their businesses. For example, participant 4, reported saying *“Yes it can assist very much because if the government can stretch the muscle in helping small business in terms of resources, financials, the fourth industrial revolution, and others. In addition, if the government can transfer skills to emerging businesses that can make a huge difference and it can be very helpful to the success of SMMEs”*. This theme emphasized the intervention of government as an excellent tool to be used to manage risks. The participants believe that government have all that it takes to assist SMMEs in such a manner that not only will businesses benefit, but the

community as jobs will be created, poverty will be reduced, and economic growth will be experienced.

4.13 Collaboration of SMMEs with government in ensuring success in mitigating risks

Participants were asked about how businesses can collaborate with government in ensuring success in mitigating risks faced by SMMEs. The analysed data showed that the collaboration of SMMEs with government in mitigating risks faced by SMMEs on their daily bases is considered to be much helpful. The sub-themes emanating from this theme are as presented below:

4.13.1 Youth encouragement

It was found that both manufacturing and retailers believe that if youths can be encouraged to invest more in starting their businesses rather than being job hunters that would improve the success rate of small businesses. This is based on the believe that the youths will spend time in growing and developing their businesses. The analysed data reported that about 33% of the participants from manufacturing and 33% of the retailers agreed that the government should encourage the youths to learn using their mind-set and their hands to make a living and also be able to face challenges rather than waiting for interventions from the government. For example, participant 3, reported stating that *“As a small business, I will ensure that youth use their hands, skills, and talents to make a living, not waiting for the government to intervene”*.

4.13.2 Utilizing small businesses

About the analysed data showed that 33% of the participants from retailers and 67% participants from manufacturing stated that government must utilize small businesses. For instance, participant 2 reported saying *“I will ask the government to utilize small businesses, work together with government in a development and growth of small businesses in many ways since the government has the tool to use in assisting small businesses”*.

4.13.3 Working hand in hand in assisting foreign business owners

The study found that working together with the government in assisting foreign business owners could be much appreciated in improving the growth of the businesses. Analysed data reported that 33% of the participants from retailers were of the view that working together with the government will make a difference in their cases as outsiders are not well treated. Therefore, working together with the government can be helpful to the improvement of business growth. For instance, a

participant reported saying: *“Working hand in hand with the government, by ensuring that foreign business owners their case resolve”*.

4.13.4 Awareness of challenges

The analysed data showed that 67% of the participants from manufacturing agreed that the collaboration they can make with the government is to make sure that government is aware of their challenges that are a hindrance to their business growth and development. They further stated that they would ensure that they do not lose contact with the government.

In brief, the theme highlighted the various ways of by which SMMEs can collaborate with the government in ensuring success in managing risk. The participants believe that if businesses can collaborate with government that will equip many businesses and reduce high failure of the small business.

4.14 Discussion of the results

The study found that there are different kinds of risks faced by SMMEs in their operations. Such risks include financial, resource, credit, reputation, inflation rate and corona virus. These risks threaten the growth, development, and sustainability of SMMEs. These findings support the work of Baporikar, Nambira, and Gomxos (2016) who state that SMMEs face different kinds of risks such as financial, resource, credit, inflation, and many others which threaten their survival. The study further revealed that financial risks are a major effect hindering SMMEs growth and development. This risk also causes distractions on everyday work activities which result in poor performance, loss and leads to business failure. This corroborates one of the findings of the work of Chiliya and Masocha (2012) who state that lack of access to finance and poor information about government support are the leading challenges hindering SMMEs development and results in their high failure rate. Furthermore, Mookodi (2016) argues that financial risk is the major challenge faced by SMMEs. Mokodi (2016) further stated that there is a continuity of lack of knowledge on the part of small businesses relating to possible funding options.

The study further found that SMMEs are struggling from resources risks; they find it difficult to succeed with limited resources which limit everyday work activities. These findings support the work of Padipadi (2016) who opines that there is no business without resource; for SMMEs to survive they need enough resource. Padipadi (2016) further mentions that SMMEs should learn to renew the resources that are renewable (Padipadi, 2016). Moreover, the study further reveals that

scarcity of resources is impacting the performance of SMMEs. These findings agree with the work of Ogunsanya (2020) who states that in KZN, countless SMMEs fail at their early stage of existence due to lack of resources; the scarcity of resources is indeed a threat to the SMMEs growth in KZN. Furthermore, it was found that inflation rate also makes things difficult for businesses. Countless SMMEs are losing sales and failing to survive due to inflation rate that is a result of the impact of the buying behaviour of customers which affects prices of goods. This corroborates the finding of the work of Arekar and Godbole (2016) who state that when there is increase in prices of goods and services, individuals would be unable to buy as much as they could previously.

4.18 Conclusion

An analysis of the qualitative data collected in the study showed that SMMEs are faced by different kinds of risks and they have strategies they are adopting in responding or dealing with risks, however it was shown that strategies using by SMMEs in retail and manufacturing industry are not much effective and best of help in dealing with risk.

CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

This chapter delivers a summary of the entire study and provides relevant recommendations based on the findings of the study. The chapter further provides the recommendations for policy and also suggestion for further research studies. This chapter is made up of three main sections. Section 5.2 summarises the research findings, section 5.3 concludes the study based on the findings and section 5.4 provides recommendations from the study. Section 5.6 proposes areas for further research. The purpose of the study was:

- ✚ To identify the types of risks that affect SMMEs in uMhlathuze Municipality.
- ✚ To analyse strategies used by SMMEs in mitigating risk.
- ✚ To understand what implications these risks, have on business development and sustainability of SMMEs.
- ✚ To suggest new risk management strategies that SMMEs can adopt in managing risk. The study used a qualitative research approach in meeting the above objectives. The sample of the study was drawn from the SMMEs of uMhlathuze Municipality. Data was collected from business owners and managers using interview schedules. The qualitative data was analysed using content analysis. The next sections present a summary of research findings, conclusions and recommendations of the study.

5.2. Summary of findings

This section presents the summary of the findings based on the research objectives. The summary of findings is successively used to draw research conclusions and also to make appropriate recommendations.

✚ **Objective 1: To identify the types of risks that affect SMMEs in uMhlathuze Municipality.**

This was the main objective that the research intended to achieve. The research found that SMMEs are faced with countless number of risks, such as financial, resource, corona virus, credit, reputation, inflation rate and others. These risks impose distractions on business growth, therefore present poor performance, which result to high failure rate of SMMEs. The research reveals that financial risk is the major challenge which hinders business growth and development. It was found

that majority of SMMEs are failing at their early stages due to lack of funding. However, the research further reveals that covid-19 has also contributed a lot to high failure rate of many businesses in uMhlathuze Municipality. Failure percentage of SMMEs has increased due to covid19. In addition, findings of the research showed that resource risks as another hindrance to the success of SMMEs. Moreover, some small business owners believe that their businesses can grow and develop if they can get enough resources. The study found that all of the risks faced by SMMEs impose problems and distractions to the SMMEs development and its profit.

✚ **Objective 2: To analyze strategies used by SMMEs to mitigate risks.**

The analysed data from the study showed that small businesses at uMhlathuze Municipality have many risks management strategies which are used to manage risks. However, it was found that most of these strategies used by SMMEs are not effective as small businesses are experiencing high failure rate due to the risks they face. The research also revealed that the failure of countless small businesses is not only caused by the risks they face but lack of managerial, planning, and financial skills.

✚ **Objective 3: To understand what implications these risks have on business development, and sustainability of SMMEs.**

The research found that the implications of these risks are very harsh to the business development and sustainability. This is because the identified risks distract daily work activities which eventually results in poor performance. The study further revealed that the risks present high failure rate of small businesses, as majority of the small businesses fail to properly respond or deal with them.

✚ **Objective 4: To suggest new risk management strategies that SMMEs can adopt in managing risks.**

SMMEs have made certain efforts in adopting new strategies to mitigate risks. They have different risk management strategies which are considered adoptable in managing risks. Some of these strategies are include promoting their businesses using online platforms in order to gain global recognition. The findings of the study showed that there is a strong belief that the adoption of new risk management strategies will be effective and improve the businesses. The new risk

management strategies are envisaged to lower the high failure rate of businesses, improve and open more job opportunities to the citizens of uMhlathuze Municipality.

5.4 Originality and contribution of the study

Risk management is a major hindrance to the growth, development and sustainability of SMMEs. There are many small businesses that are failing to grow and develop due to the risks they face. Meanwhile, strategies in hand are failing to mitigate these risks. Therefore, the study contributes to the risk management strategies that can be used by SMMEs of uMhlathuze Municipality to mitigate those risks. A better knowledge of risks and education of running a successful business is envisaged to help owners and managers of SMMEs to be well informed and well prepared for the challenges they might face before entering into the market. Such education as well as exposure on risks are expected improve small businesses. Findings from the analysed data is also considered to contribute to policies with regards to SMMEs of uMhlathuze Municipality being assisted by the government, as well as the police force assisting with security matters. The study will also contribute to literature and scholarly discourse through paper publication in different journals and conference presentations: local and international inclusive. In this regard, the research findings are envisaged to become known and accessible to the public. Also, a copy of the dissertation would be submitted to the online repository of the University of Zululand.

5.5 Recommendations

This section suggests recommendations based on the findings of the study. The implementation of the recommendations is expected to help promote practices of small businesses especially in uMhlathuze municipality. The recommendations are:

- ✦ SMMEs owners and managers should consider enrolling for courses related to entrepreneur or businesses to enable them obtain knowledge and information on how to run businesses, and how to prepare for the challenges faced by businesses.
- ✦ SMMEs owners and managers should consider attending workshops and trainings that is made for businesses to attain skills needed in operating successfully. This is envisaged to assist them in reducing high failure rate caused by lack of skills.
- ✦ Owners and managers of SMMEs should also consider hiring employees with skills and experience that will assist their business ventures either at the level of retail or

manufacturing. This would enable them fight certain risks that are capable of threatening the survival and development of their businesses.

- ✦ Strategies used by SMMEs in mitigating risks should be improved in order for them to be effective in the running of their businesses.

5.6 Areas for further study

The study has identified the risks faced by SMMEs and adoptable risk strategies. However, the study was limited to SMMEs in uMhlathuze Municipality. It is therefore suggested that a similar study can be replicated using two or more municipalities, provinces, nations or continents.

The findings of the study suggest that there is a need for owners and managers of SMMEs to undertake research about any business they intend to run. Hence, further study is suggested in the area of impact of trainings and conferences on the managerial, planning and other skills needed by owners and managers of SMMEs.

5.7 Limitations of the study

The study was limited to the uMhlathuze Municipality, located in the Kwa-Zulu Natal. The data was collected from managers and owners of SMMEs in retail and manufacturing industry thereby increasing the legitimacy of the results.

The use of judgmental sampling approach in sampling managers and owners of retail and manufacturing constituted a limitation for the study. This is because a purposive sampling where the technique selects participants based on their knowledge and experience on their number of years working.

5.8 Conclusion

The risks faced by SMMEs and strategies used in mitigating such have been an area of study by many researchers in many countries. This is majorly because risks cause a high failure rate of SMMEs and this continues to be a challenge to various businesses which are important drivers of economic growth, job creation and poverty reduction. This is based on the contributions of the businesses to the uplift of the standard of living of citizens. However, the businesses are likely to fail due to challenges faced. This study therefore explored the risk management strategies of SMMEs in retail and manufacturing industries in uMhlathuze Municipality. This was achieved

using qualitative method. The findings of the study show that the majority of the SMMEs in retail and manufacturing are faced with an array of risks, risks were identified on manufacturing was safety risks, manufacturing industry are face with safety risks where they experience loss due to theft of their stock. Credit risks was also identified as the risks face by manufacturing industry, where it's become difficult for customers when it is time to pay and this causes a threat on the businesses' profit. However, the study reported that these SMMEs use home storage as their strategy to avoid loss they are experiencing due to theft. And payment deposit before the job get started as they are faced with credit risks caused by customers. The study further identified inflation rate as the risks to the retail industry as its poses decrease on buying behaviour of customers, lack of resources and Covid 19 was identified as the risks that is threatening the success of both retail and manufacturing industry, and these SMMEs have made the use of mask and sanitizing customer before entering inside as their strategy. Visiting other similar businesses is another strategy being used in order to see on how other businesses are surviving. uMhlathuze Municipality need to be well educated on how to run businesses successfully considering their lack of skills in the area of management, planning, amongst others. The study further shows that the need for government support as well as inclusion of technologies and practices of the Fourth Industrial Revolution (FIR) are paramount for success to be enjoyed by SMMEs in the selected municipality.

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UNIVERSITY OF ZULULAND



VOLUNTARY INTERVIEW QUESTIONS FOR

University of Zululand

The provisional title:

“Identifying Risk Management Strategies of SMMEs in Retail and
Manufacturing Industries in uMhlathuze Municipality”

Faculty of

Commerce, Administration and Law

Department of

Business Management

Please complete these voluntary questions on Risk management strategies of SMMEs in uMhlathuze Municipality.

University of Zululand
Department of Business Management
Faculty of Commerce, Administration
And Law
Private Bag X1001, Kwa-Dlangezwa,
3886

Dear Participants,

I am a Master's student at the above mentioned University conducting research on the risk management strategies of SMMEs in uMhlathuze Municipality. The purpose of the research is to find out what are the risks faced by SMMEs in uMhlathuze Municipality, the strategies they adopt to respond to the risks they face. I intend to publish the findings in an academic journal for the public and government officials to access the information and perhaps use some of the recommendations made by the study.

I kindly ask for your time to complete the interview questions based on your professional knowledge regarding risk management. Your honest feedback will be taken as a contribution to this research. I assure you that the information provided will be kept confidential and solely for the purpose of this study.

Thanking you in advance for your time.

Yours sincerely,

Thandiwe Lungile Khambule

INTERVIEW QUESTIONS

SECTION A

1. Gender

Male	
Female	

2. Race

African	
Coloured	
White	
Indian	

3. Nationality

South Africa	
Non-South African	

4. Age

18-27	
28-37	
38-47	
48+57	

5. Years of working experience

2-3	4
4-6	4
7-8	1
9-10	1

11-12	2
Total	12

Section B.

Part one:

‡ What types of risks affect SMMEs in uMhlathuze Municipality?

Are you a manager or the owner of these business?

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What are the types of risks (threats to your business) that affect your business and how frequent do they manifest themselves?

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What is the impact of risks on SMMEs survival and business operation?

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What is the effect of these risks in terms of business growth, development and sustainability?

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What are the implications of these risks for your business' management?

Part two:

‡ What strategies are used by SMMEs to mitigate these risks?

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What strategies do you take to mitigate these risks, and what are their success rate?

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Are these strategies effective to your business, if yes please explain how?

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If no, explain why?

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Besides your existing strategies to mitigate these risks, what other strategies do you use to protect your business?

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Are those strategies you use effective to your business, if yes how?

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If no, why?

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Part three:

‡ What implications do these risks present, especially in terms of business development and sustainability of SMMEs?

What are the implications of these risks on growth and development of your business? please elaborate.

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Have you ever failed to implement any of your strategies due to unforeseen events?

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How has this limited the growth of your business?

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What is the importance of planning in ensuring that these risks do not hinder growth and development of your business?

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To what extent does these risks affect your business sustainability? Please elaborate.

Part four:

✚ What new risk management strategies can SMMEs adopt in managing these risks?

Apart from the existing strategies, what new strategies do you think your business can adopt in managing these risks?

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To what extent do you think those new strategies are going to help your business? Please elaborate

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How prepared is your business towards adoption of new risk management strategies?

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What role do you think government can play in helping to mitigate these risks faced by SMMEs?

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How can you as SMMEs collaborate with government to ensure success in mitigating risks faced by your enterprises?

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Do you think the intervention of government will help in mitigating these? If yes, please explain how?

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If no, please explain why?

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