INFLUENCE OF RISK MANAGEMENT STRATEGIES ON PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN CONSTRUCTION INDUSTRY IN KAJIADO COUNTY, KENYA

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ABSTRACT

The purpose of this study was to establish the influence of risk management strategies on performance of small and medium enterprises in the construction industry in Kajiado County. The study was limited to 1380 registered MSEs which gave insights on the various performance related problems faced by the enterprises in the county. Sample size of 92 small and medium enterprises was chosen. The design of this research was a descriptive survey research. The collected data was analyzed using both quantitative and qualitative data analysis methods. Quantitative methods involved a descriptive analysis such as the frequencies. Data from questionnaire was coded and logged in the computer using Statistical Package for Social Science version 22. The study further adopted a regression analysis to determine the relationship among the variables at 05 level of significance. It was notable that there exists a strong positive relationship between the independent variables and dependent variable. It showed that the independent variables in the study were able to explain 62.10% variation in the performance of SMEs in the construction industry in the study area while the remaining 37.90% was explained by the other variables or other aspects outside the model. This implied that the set of the independent variables played a significant role on the performance of SMEs in the construction industry in Kenya. The study revealed that the variable statistically, strongly and significantly correlated to performance of SMEs in the construction industry as they had a positive relationship with the dependent variable. The study recommended for the organizations to identify and deal with risks proactively: The study recommended for the problem analysis to identify the negative aspects to reduce negative impact on the business profits. The study recommended for the risk monitoring and evaluation strategies to enhance performance of SMEs. Additionally, the study did not tie the variables explained in this study as the only factors of risk management strategies. The study recommended for further study to identify other factors affecting performance of SMEs.

Key Words: Risk Identification, Risk Evaluation, Risk Handling, Risk Monitoring, Performance of SMEs
INTRODUCTION

Due to globalization and intense competition, risks are increasing and risk management is becoming an integral part for the success of almost every organization, especially for the insurance sector because of their high-risk businesses, as the risks are associated with every client in the business and their own risk (Gwangwaya, Manuere & Kudakweshe, 2014). SMES are in the core business of managing risk. The SMES manage the risks of both their clients and their own risks. This requires an integration of risk management into the companies’ systems, processes and culture. The risk management process consists of a series of steps, which are establishing the context, identifying, analyzing, assessing, treating, monitoring and communicating risks, which allow continuous improvement of decision making (Brustbauer, 2016). By implementing risk management organization can reduce unexpected & costly surprises and effective allocation of resources could be more effective. It improves communication and provides senior management a concise summary of threats, which can be faced by the organization, thus ultimately helping them in better decision making (Smit & Watkins, 2012).

Risk management is a continuous process by which firms undertake to identify and evaluate possible risks steams for a firm and handle and manage them for ensuring smooth function of firm. All businesses involve uncertainty and risk. It is widely agreed that risk is more so in the business sector with compared to other sectors. Every business decisions and entrepreneurial act is connected with risk. This applies to business of small and medium scale as they also face several and often the same risks as bigger firms. In a real business environment with market perfections they need to manage those risks in order to secure their business continuity and add additional value by avoiding or reducing transactional costs (Aruwa, 2015).

Risk management concern, many studies have been focused on larger firms and a lower priority has been given to examine the risk management in the Small and Medium Enterprises (SMEs) where the risks are considered to be less catastrophic and most studies have concentrated solely on the risks associated with safety and occupational health and hazards (Prudana, 2012). Over the years, risk management has been identified as a vital process in the business institutions. It is further believed that risk management is less developed within the small business sector where strong enterprise culture mitigates against managing risk in a professional structured way (Jayathilaka, 2012).

Risks occur within the firms and their business environment can be divided as internal and external risk. Operational risks, financial risks and organizational and management risk are internal risks as they have their sources within the firm (Henschel & Gao, 20010). External risks occur in the business environment of the firm and can be economical, technological, political, legal or cultural changes. They states that the most relevant risk categories for SMEs are internal and strategic and business process risk.

Despite the growing number of newly established SMES in the construction industry in Kenya, their performance is constrained, especially in rural areas, because of their limited resource base and lack of institutional capacity to get a wide range of financial services (Nyangarika, 2016,..). Financial institutions support outreach to the SMEs is predominantly through group -based programmes, which have limited absorptive capacity for financial resources. Although financial institutions have a stronger resource base and wider outreach, they lack expertise lending to the SMEs in the construction industry. The focus of most SMEs is informal economy “Jua Kali”), The growth of SMEs into big companies, with a turnover of one billion, is as low –if not a disheartening statistics. Looking at KPMG annual
SMEs survey (top 100 SMEs) carried in 2016, only four companies “graduated” from SMEs class in 2015 survey by reaching one billion mark; this represent four percent. Yet, the SMEs (Jua kali) are biggest employer in the country, accounting for 10 million and 8.3 million of this number are in the informal sector –Jua Kali .It also continues to employ more each year—at an average rate of about two percent .However Kenya government is slow to recognize this . However, the policy that would be seen as incentive to help grow SMES in the construction industry (informal) to big companies is slowing coming (ICPAK, 2016).

Globally SME sector has been reporting difficulties in access to finance (Irwing & Scott, 2010). Access to external finance to SMEs has become more costly and troublesome while their accessibility has done sharply declined. SMEs’ financing constraints limit their investment opportunities and stagnant growth. SMEs in most developing countries lack access to financial services, particularly from formal institutions (both banks and non-banks). The problem of access to financial sources for SMEs exists when a business activity that would be internally financed if resources were available, does not get supports from external financial institutions (MMbaka, 2016).

In Africa, the failure rate of SMEs is 70% to 80% out of every 100 companies due to lack of skills and access to finance among other reasons Brian Cantand Ligthelm (2014). It is typical of SMEs in Africa to be lacking in business skills, track record and collateral to meet the existing lending criteria of risk averse banks World Bank (2010). The Unequal access to finance by SMEs and large enterprises has undermined the role of SMEs in the economic development of most African countries like Kenya. In Kenya there is a widespread concern that banking systems are not providing enough support to new economic initiatives and in particular to the expansion of SMEs and agriculture sector (Sacerdoti, 2015). It is argued that faster economic growth will not be possible without deepening of the financial system and in particular, more financial support from the banking sector to the SMEs.Banks remain highly liquid and reluctant to expand credit other than to most credit worthy borrowers which in most cases excludes the SMEs Financial institutions offer financial intermediation services (savings, credit, funds transfer, insurance, pension remittances amount others) to the SMEs (Rosengard, 2010). The financial institutions have played major role in the development of MSEs as an industry was ‘discovered’ as a development instrument in the late eighties because some NGOs development workers had found that something essential was missing in the services the government. From numerous impact evaluations made as well as direct observations of practitioners, and it is clear that access to financial services is necessary, but not sufficient conditions for performance of SMEs (Hospe et. al, 2012). The Government of Kenya (GoK) has indirectly provided a boost to the finance sector. Various institution provide variety of service to support SMEs sector these include finance (credit), handicraft, training and technology expert support institutional support and advisory support (GoK, 2015).

The limited access to credit has been attributed to factors such as lack of collateral, high risk profile of SMEs in the construction industry, an oligopolistic banking sector and bias by commercial banks against the SMEs Tan & Eze (2013). Studies indicate that in Kenya SMEs contribute on average 60 percent of total formal employment. In the Kenyan economy, the contribution of the SME in the construction industry to job opportunities is even more important. Taking into account the contribution of the SMEs account for about three-quarters of total employment in manufacturing (RoK, 2012). Kajiado County is made up of seven sub-counties. These include Kajiado Central, Isinya, Loitoktok, magadi, Mashuru, Namanga and Ngong Sub-Counties are the decentralized units through which Kajiado county and national governments of Kenya
provides functions and services. They are the former districts existing as of 2013 and they are headed by a Deputy Commissioner. According to Kenya Economic Report, Kajiado County has over 470 registered MSEs (Kajiado County Government, 2016) which will be used for this study.

Statement of the Problem

In Kenya, three out of five of small and medium businesses in the construction industry fail within the first three years of operation and those that continue 80 percent fail before the fifth year (Mbbaka, 2016). This failure of enterprises performance is marked by poor return and bankruptcy proceedings due to lack of implementation of financial risk management strategies (Kingori, 2012), having noted how important the contribution of SMEs in the construction sector is in Kenya; despite their poor performance. Despite several initiatives to ensure that the SMEs perform well, it is revealed that the established enterprises have a very low survival rate, with serious challenges leading to 60 percent failures in performance within the first three years of operation (Rogito, 2016). This poor performance has hampered their ability to contribute to the growth of Kenya’s GDP as required. It also makes them unable to compete with other larger businesses including large companies, or take full advantage of the economy and access the global markets for profitability and sustainability (Akinyoade & Uche, 2017).

Further, statistics show that construction industry in Kenya recorded a decline in performance of gross loans and advances from Ksh 129 Billion in June 2015 to Ksh 140 trillion in June 2016, translating to a decline of 12.9 percent (CBK, 2016) as compared to 19.0 percent growth from Ksh 148 billion in June 2013 to Ksh 129 billion in June 2014, (CBK, 2015). This trend was also reflected in the SME in the construction industry sector recording a growth decline from 57.30% to 38.2% during the same period. The problem therefore is the low loan uptake in the entire country specifically the SMEs in the construction industry, Kajiado County being not an exception. From the findings of Kenya National FinAccess Survey (2016) and CBK (2016, 2015) annual reports, the results were alarming.

From the empirical studies carried out Gwangwava et al., (2014) conducted an assessment of risk management practices in SMEs in Zimbabwe. Jayathilake, studied risk management practices in small and medium enterprises: evidence from Sri Lanka. Mwangi (2014) established the relationship between risk management and financial performance of the top small and medium enterprises in Kenya. Terungwa (2012). Examined the risk management and insurance of small and medium scale enterprises (SMEs) in Nigeria. There is evidence on the dearth of the studies on the effects of risk management strategies on the performance of SMEs in the construction industry. This presents a gap for research to establish the influence of risk management strategies on performance of small and medium enterprises in the construction industry in Kenya with a specific reference to Kajiado County.

Objectives of the Study

The purpose of the study was to establish the influence of risk management strategies on performance of small and medium enterprises in the construction industry in Kajiado County. The Specific objectives were:-

- To find out how risk identification strategy influence performance of small and medium enterprises in construction industry in Kajiado County, Kenya.
- To establish how risk evaluation strategy influence performance of small and medium enterprises in construction industry in Kajiado County, Kenya.
To assess how risk handling strategy influence performance of small and medium enterprises in construction industry in Kajiado County, Kenya.

To examine how risk monitoring and control strategy influence performance of small and medium enterprises in construction industry in Kajiado County, Kenya.

LITERATURE REVIEW
Theoretical Review
Modern Portfolio Theory
Modern Portfolio Theory (MPT) is a theory of investment which tries to maximize return and minimize risk by carefully choosing different assets (Markowitz, 1952). MPT is a mathematical formulation of the concept of diversification in investing, with the aim of selecting a collection of investment assets that has collectively lower risk than any individual asset. This is possible, in theory, because different types of assets often change in value in opposite ways. For example, when the prices in the stock market fall, the prices in the bond market often increase, and vice versa. A collection of both types of assets can therefore have lower overall risk than either individually (Mandelbrot, and Hudson, 2004). The Primary principle upon which Modern Portfolio Theory is based (MPT) is the random walk hypothesis which states that the movement of asset prices follows an Unpredictable path: the path as a trend that is based on the long-run nominal growth of corporate earnings per share, but fluctuations around the trend are random (Chandra, Siddharth and Shadel, 2007). For ERM therefore, the MPT has important implications in terms of risk minimization by investing in portfolios that have lower overall risks. The pension fund management firms invest on behalf of the pension schemes members and therefore must strive to invest in portfolios that maximize returns and minimize risks.

Capital Asset Pricing Theory
The concept of risk is closely related to the insights of portfolio theory. The most important paradigm of risk is part of a set of results known in the financial economics literature as the Capital Asset Pricing Model (CAPM) developed by Sharpe (1964) and Lintner (1965) and later refined by Black (1972). It represents an extension and simplification of the model by Markowitz (1952). The Markowitz model was the first theorizing a relationship between risk and return. In his model, there are as many efficient portfolios are there are investor risk preferences. All efficient portfolios must lie on the mean-variance investment frontiers where investors can get a higher return only by accepting a higher level of risk (Gossy, 2008). The CAPM extends this theory to a situation of equilibrium. The CAPM argues that all investors will hold the same efficient portfolio (the market portfolio) regardless of their individual risk preferences. Thereby, the CAPM is capable of determining the market price for risk and an appropriate risk measure for a single asset (Gossy, 2008).

There have been numerous anomalies of the CAPM that have been discovered by finance researchers. This has initiated a discussion of the usefulness of the CAPM for the field of strategic management starting with the contribution by Bettis (1983). He detects a conundrum regarding the role of risk in strategic management context and states the main points of controversy between finance and strategy (Vicente-Lorente, 2001). In particular, he seriously questions the implications of the CAPM on strategic management but especially corporate risk management. He identifies an implied recommendation in the CAPM to corporate management not to be concerned at all about firm-specific risks. Bettis (1983) argued that business risks are associated with firm specific resources and competencies and are strongly related to the firm-environment interface. This theory implies that for ERM, firms should institute
efficient portfolios that offer maximum returns and minimum risks.

**Prospect Theory**
Prospect theory is a theory of decision-making under conditions of risk (Tversky & Kahneman, 2009). Decisions involve internal conflict over value trade-offs. This theory is designed to better describe, explain, and predict the choices that typical person makes in a world of uncertainty. The theory addresses how these choices are framed and evaluated in the decision making process. Prospect theory advances the notion that utility curves differ in domains of gain from those in domains of loss. Prospect theory is designed to explain a common pattern of choice. It is descriptive and empirical in nature. Prospect Theory looks at two parts of decision making: the editing, or framing, phase, and the evaluation phase (Tversky, 1967). Framing refers to the way in which a choice or an option can be affected by the order or manner in which it is presented to a decision maker.

The evaluation phase of a prospect theory encompasses two parts, the value function and the weighting function. The value function is defined in terms of gains and losses relative to the reference point not in terms of absolute wealth. In prospect theory, value is a function of change with a focus on the starting point so that the change is either negative or positive. Prospect theory predicts that domain affects risk propensity. Losses have more emotional impact than an equivalent amount of gains and therefore weighted more heavily in our decision-making (Tversky & Kahneman, 2005). In making a decision, a decision maker multiplies the value of each outcome by its decision weight. Decision weights do not serve solely as measures of perceived likelihood of an outcome but also represent an empirically derived assessment of how people actually arrive at their sense of likelihood. An important function of weighting function is that low probabilities are overweighed while high and medium probabilities are subjectively underweighted (Tversky & Kahneman, 1979). Risk is an exposure to the possibility of economic or financial loss or gains, physical damage or injury or delay as a consequence of the uncertainty associated with pursuing ascertain cause of action (Chapman C.B., 1983). Many scholars have defined risk: Wideman(1986), Godfrey (1996) Kliem and Ludin (1997) and Smith(1999). Most definitions include the factors of chance or probability of events and the negative impact on the objectives or project. In mathematics, probability of an event is expressed statistically using the mean, dispersion, confidence interval and other statistical parameters. Relevant data must be available for a statistical analysis. When no data exists, the experience and knowledge of the decision maker is important in assessing the probability of an adverse event.

### Conceptual Framework

#### Risk Identification
- Source of the risk
- Type of the risk
- Formulation of managerial resources

#### Risk Evaluation
- Problem analysis
- Quantification
- Forecasting

#### Risk Handling
- Risk Diversification
- Insurance
- Risk Retention

#### Risk Monitoring & Control
- Loss prevention
- Risk avoidance
- Risk Transfer

#### Performance of SMEs
- Amount of Profits
- Customer base
- Number of branches established
- Number of new employees added

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**Figure 1: Conceptual Framework**

**Risk Identification**
Risk identification process attempts to identify the source and type of risks. Risk identification involves the recognition of potential risk event conditions in the SMEs and the clarification of risk
responsibilities (Wang, Dulaimi, & Aguria, 2004). Risk identification is the basis for analysis and control of risk management and ensures risk management effectiveness. The identification and mitigation of project risks are crucial steps in managing SMEs (Carbone & Tippet, 2004).

Risk Evaluation
Problem analysis identifies the negative aspects of an existing situation and establishes the “cause and effect” relationships between the identified problems. The problem analysis involves the definition of the framework and subject of analysis and the identification of the major problems faced by target groups and beneficiaries; and the visualization of the problems in form of a diagram, called a problem tree to help analyze and clarify cause–effect relationships. The analysis is aimed at identifying the real bottlenecks which stakeholders attach high priority and which they wish to overcome. The problem analysis provides a sound foundation on which to develop a set of relevant and focused project objectives. Involving stakeholder representatives with appropriate knowledge and skills is critical to the quality of the output.

Risk Handling
Meredith (2010) indicated that this technique is used in spreading or diffusing risk exposures. It is a common technique of risk management that seeks to lower risk by combining exposures that are not related (not correlated) to one another. Diversification has got its foundation in Markowitz work related to capital markets portfolio theory which demonstrates how diversification permits the investors who averse to taking risk create portfolios that optimize various levels of risk and return.

Retention is the act of keeping the possibility of loss with no attempt to transfer that loss to another party. The method is appropriate when the risks of loss or the loss exposure is either too small with little impact or too great to be able to do anything with it. Risk retention is regarded as self-insurance. In SMEs, retention is used with other risk management techniques. For example, most SMEs policies include a deductible so that the retains a portion of the loss. Rejda (2012) also asserts that all risks that are not avoided or transferred are retained.

SMEs use this strategy to transfer the exposure of a loss to another person or entity that can be able to bear the loss. Naik (2012) also indicated that SMEs, transfer risks through diversification and hedging. He agrees with Alijoyo (2011) who asserts that a risk transfer involves causing another party to accept the risk. Insurance is used by an insurer to retain a bearable part and transfers the remaining part of the risk to the reinsurer who indemnifies him. Both Naik (2009) and Ayali(2008) agreed that using a reinsurance technique, SMEs can allocate risks to those parties who are most appropriate to bear them. This can reduce losses of the original SME and therefore improve financial performance.

Risk Monitoring and Control
Kiochos (2007) states that to prevent or to minimize the chance of loss, SMES generally advise that some preventive measures be taken. The SMEs can only reimburse financial loss but not intangible things such as valuable information and files. Loss prevention refers to the measures that reduce the frequency of a particular loss for example: measures that reduce truck accidents and strict enforcement of safety rules. Rejda(2013) states that that SMEs can put in place measures that reduce the severity of a loss after it has occurred. Therefore, good loss prevention and control practices are thought to enhance SMEs performance. Avoidance means that a certain loss exposure is never acquired or an existing loss exposure is abandoned (Rejda, 2003). It is a strategy, which implies that the chance of loss is reduced to zero because the loss exposure is never acquired. If SMEs fail to avoid some of the risks, they can run bankrupt (2007). SMEs therefore apply a system of policies and strategies...
in order to avoid the risk of bankruptcy provided their resources are applied effectively said by Owen (2007). They can also avoid risks by selling small policies instead of comprehensive one Pippidis (2007) Many SMEs policies, although surprisingly popular should be avoided because they tend to be very profitable to the SMEs but they lead to losses especially when claims by clients accumulate. Therefore, avoidance may seem the answer to all risks, but avoiding risks also means losing out on the potential gain that accepting (retaining) the risk may have allowed. Not entering a business to avoid the risk of loss also avoids the possibility of earning profits

Performance of SMEs

SMEs play a crucial role in the development of a countries economy (Ariyo, 2005). They are of significance importance to the economy of developing countries such as Kenya, where challenges such as poverty eradication and unemployment are considered major issues facing citizens. In Kenya, they account for 45% of the Kenyan G.D.P and employ more than 80% of the total Kenyan work force according to Economic Survey (2009). The Kenyan government and other stakeholders in recognition of the importance of this sector to the economy have directed their efforts towards creating sustainable SMEs. These efforts however have not had the desired effect, as most small firms are short-lived. Research conducted on SMEs in Africa suggests that there are more SMEs closures than establishments, with approximately only 1% of SMEs growing from having five or less employees to ten or more (Smith & Watkins, 2012).

In the course of their operations, enterprises encounter many risks such as political, natural disaster, credit and operation risks. SMEs, especially during the start-up and expanding stage consider themselves as a risk. Thus, SMEs regularly confront risks offensively to grow which is in contrast with larger firms that usually take risk defensively in order to ensure operation strength. However, the ability of SMEs to withstand risks is lesser compared to that of the larger firms (Virdi, 2005).In addition, being synonymous with limited resources and weak structural features, SMEs are more likely to be exposed to the harmful effects of risks compared to larger enterprises (Henschel, 2006; Raghavan, 2005). It is therefore becomes necessary for every small business to manage its risks in order to reduce and minimize the loss exposure. Smith and Watkins (2012) argue that risk management should be a major concern for SMEs particularly because they are more sensitive to business risk and competition. They opine that risk management will assist in the development of contingency plan that can help to stop the erosion of organizational income and consequently improve performance.

Empirical Review

An empirical review in research methodology is when the writer reviews the information and theories currently available concerning the topic and the historical background of the topic. The point is to do two things. First, it is to demonstrate thorough understanding of the field or topic in which he or she is conducting research. Second, it is to show that the problem being studied has not been done before or has not been done before in the way proposed by the researcher (Fink, 2015). Different researchers have discussed factors affecting performance of MSEs in relation to the risk management practices of the study.

Risk Identification

Empirically, Alrashidi and Baakeel (2012) undertook a study to measure the operational risk management effects on the financial development and growth in the Saudi Arabian SMEs companies. The result showed that risk identification has a positive effect on the financial development and growth in the Saudi SMEs companies. Gisemba (2010) also returned that there was a positive relationship between risk
management practices and the financial performance of SACCOs, depicting the relationship between risk management practices and financial performance in organizations. He asserts that SACCOs need to manage risk effectively to prevent them from failing in their obligation and meeting their objective, and thus ensuring that the organization performs better in increasing the return on assets and in attaining maximum financial returns.

**Risk Evaluation**

Henschel and Gao (2010) carried out an investigation into the status of risk management practices in German small to medium-sized enterprises (so-called German “Mittelstand”). In particular, the study sought to establish the possible relationships between risk evaluation and business planning activities. The inquiry was carried out by means of a postal questionnaire. The results showed that in German SMEs the handling of risks is strongly concentrated on owner-managers. Risk management is carried out in a rather rudimentary way. Only few SMEs have established a comprehensive business planning system, and the link between their risk management and their business planning is in most SMEs not well developed.

**Risk Handling**

Pradana (2012) did a study on the Risk Management Practices in SMEs: Evidence from Sri Lanka. This study focused to investigate the risk management practices small and medium enterprises in Sri Lanka. The study was carried out by means of questionnaire survey by collecting data from 200 firms. The study uses descriptive statistics of mean and standard deviation and correlation analysis and ANOVA in the data analysis. The results show that the risk handling in management of risk is strongly concentrated on owner managers and business planning system and link between the planning and risk management are not well developed in small and medium enterprises. The attitudes of the owner managers and their knowledge towards risks play an essential role in how systematically risks are handled. Therefore, this study stresses the need of improving current planning system within the SMEs together with enhancing the owner managers’ knowledge and awareness regarding risks management through proper training and development.

**Risk Monitoring and Evaluation**

Henchel and Gao (2012) states that risk management is a challenge for SMEs in contrast to larger firm they often lack of the necessary resources, with regard to human capital, data base and specificity of knowledge to perform a standard and structured risk management. According to O’Hara et al (2005), SMEs identify two barriers to risk assessment; time pressure and access to suitable guidance. He noted that given assess in monitoring and evaluation in appropriate guidance and help SMEs can improve risk assessment efficiently. Sparrow (2009) stated that the belief and attitudes of founding entrepreneurs are more influence on risk management practices in SMEs. As a result that makes decisions in terms of their business as an entity rather than in terms of manager specific risks. Smith stated that the enterprises in their start up phase often underestimate risks or even ignore these completely. Start up SMEs usually force high degree of uncertainty and the necessity to make quick decisions (Islam et al. 2008). Empirical studies further show that the attitudes of SMEs toward risks and their risk assessment differs significantly from that of large enterprises since risk considerations in SMEs take place in a more holistic way.

**RESEARCH METHODOLOGY**

A descriptive design was employed to collect data from the target population. This design was used because it helps the researcher obtain information concerning the current status of the
phenomena. In this study the population was 1380 SMEs in the construction industry in Nairobi County that were registered and licensed by National Construction Authority, 2017. A multiple regression model that was then fitted to determine the combined effect that the independent variables had on the dependent variable when acting jointly was expressed as follows:

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon, \]

Where:

- \( Y \) = Performance of SMEs;
- \( \beta_0 \) = constant (coefficient of intercept),
- \( X_1 \) = Risk identification;
- \( X_2 \) = Risk Evaluation;
- \( X_3 \) = Risk Handling;
- \( X_4 \) = Risk monitoring & Control;
- \( \epsilon \) = error term;
- \( \beta_1, \ldots, \beta_4 \) = Regression coefficient of four variables.

**FINDINGS AND DISCUSSIONS**

**Risk Identification Strategy**

The first objective of the study was to establish the influence of risk identification on performance of SMEs in the construction industry in Kenya. Respondents were thus asked to indicate the extent to which they agreed with various statements relating to risk identification strategy on performance of SMEs in the construction industry in Kenya. Responses were given on a five-point scale where: 1= Very small extent; 2= Small extent 3= Moderate extent; 4 = Great extent; 5= very great extent. The scores of ‘Very small extent’ and ‘Small extent’ have been taken to represent a statement not agreed upon, equivalent to mean score of 0 to 2.5. The score of ‘Moderate extent’ has been taken to represent a statement agreed upon moderately, equivalent to a mean score of 2.6 to 3.4 the score of ‘Great extent’ and ‘Very great extent’ have been taken to represent a statement great extent upon equivalent to a mean score of 3.5 to 5.0. Table 1 below presented the findings. With a grand mean of 3.250, a majority of respondents can be said to moderate extent with most statements posed as regards influence of risk identification on performance of SMEs. Majority particularly highly agreed to a moderate extent that the firm always identify the source of the risks early enough in order to reduce negative aspects to enhance profit earnings (M=3.330); The firm identify the type of the risks and take necessary mitigation measures to reduce negative aspects to enhance the customer base (M=3.562); The firm has established adequate risk identification mechanisms such as formulation of adequate managerial resources for risk mitigation to increase the profit earnings (M=3.456); There is risk identification strategy which is the basis for analysis and control to increase the profits in the organization (M=3.522); The firm always identify the source of the risks early enough in order to reduce negative aspects to enhance profit earnings (M=3.108); The study findings are in agreement with literature review by Wang, Dulaimi, & Aguria, (2004) who established that risk identification process attempts to identify the source and type of risks. Risk identification involves the recognition of potential risk event conditions in the SMEs and the clarification of risk responsibilities. Risk identification is the basis for analysis and control of risk management and ensures risk management effectiveness. The identification and mitigation of business risks are crucial steps in managing SMEs (Carbone & Tippet, 2004).
The second objective of the study was to establish the influence of risk evaluation strategy on performance of SMEs in the construction industry in Kenya. Respondents were thus asked to indicate the extent to which they agreed with various statements relating to risk evaluation strategy on performance of SMEs in the construction industry in Kenya. Responses were given on a five-point scale where: 1= Very small extent; 2= Small extent 3= Moderate extent; 4 = Great extent; 5= Very great extent. The scores of ‘Very small extent’ and ‘Small extent’ have been taken to represent a statement not agreed upon, equivalent to mean score of 0 to 2.5. The score of ‘Moderate extent’ has been taken to represent a statement agreed upon moderately, equivalent to a mean score of 2.6 to 3.4 the score of ‘Great extent’ and ‘Very great extent’ have been taken to represent a statement great extent upon equivalent to a mean score of 3.5 to 5.0.

Table 3 below presented the findings. With a grand mean of 3.336, a majority of respondents can be said to moderate extent with most statements posed as regards influence of risk evaluation on performance of SMEs. Majority particularly highly agreed to a moderate extent that the firm always does problem analysis to identify the negative aspects to reduce negative impact on the business profits (M=3.220); The problem analysis helps the organization to visualize the problem to reduce negative aspects to enhance the customer base (M=3.690); The firm has problem analysis strategy aimed at analyzing the real bottlenecks which the stakeholder attach to increase the profit earnings (M=3.628); The firm is able to quantify the negative effects of the risks to reduce business loss and enhance profits earnings (M=3.442); There is forecasting of the source and type of risks early enough to reduce negative aspects to increase the profits in the organization (M=3.624); The study findings are in agreement with literature review by Meredith(2010) who observed that risk evaluation and analysis is aimed at identifying the real bottlenecks which business management attach high priority and which they wish to overcome. The problem analysis provides a sound foundation on which to develop a set of relevant and focused business objectives. Involving management representatives

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<tr>
<th>Statements</th>
<th>Mean</th>
<th>Std. Dev</th>
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<td>The firm always identify the source of the risks early enough in order to reduce negative aspects to enhance profit earnings</td>
<td>3.330</td>
<td>1.239</td>
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<tr>
<td>The firm identify the type of the risks and take necessary mitigation measures to reduce negative aspects to enhance the customer base</td>
<td>3.562</td>
<td>1.569</td>
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<td>The firm has established adequate risk identification mechanisms such as formulation of adequate managerial resources for risk mitigation to increase the profit earnings</td>
<td>3.456</td>
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</tr>
<tr>
<td>There is risk identification strategy which is the basis for analysis and control to increase the profits in the organization</td>
<td>3.522</td>
<td>1.362</td>
</tr>
<tr>
<td>The firm always identify the source of the risks early enough in order to reduce negative aspects to enhance profit earnings</td>
<td>3.108</td>
<td>1.520</td>
</tr>
<tr>
<td><strong>Average mean</strong></td>
<td><strong>3.250</strong></td>
<td></td>
</tr>
</tbody>
</table>
with appropriate knowledge and skills is critical to the quality of the output of the potential risks that can affect performance of the business.

Table 3: Risk Evaluation Strategy and Performance of SMEs

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>The firm always does problem analysis to identify the negative aspects to</td>
<td>3.220</td>
<td>.543</td>
</tr>
<tr>
<td>reduce negative impact on the business profits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The problem analysis helps the organization to visualize the problem to</td>
<td>3.690</td>
<td>.708</td>
</tr>
<tr>
<td>reduce negative aspects to enhance the customer base</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The firm has problem analysis strategy aimed at analyzing the real</td>
<td>3.628</td>
<td>.220</td>
</tr>
<tr>
<td>bottlenecks which the stakeholder attach to increase the profit earnings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The firm is able to quantify the negative effects of the risks to reduce</td>
<td>3.442</td>
<td>.330</td>
</tr>
<tr>
<td>business loss and enhance profits earnings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>There is forecasting of the source and type of risks early enough to</td>
<td>3.624</td>
<td>.560</td>
</tr>
<tr>
<td>reduce negative aspects to increase the profits in the organization</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Average mean</strong></td>
<td><strong>3.336</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Risk Handling Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>The third objective of the study was to find out the influence of risk handling strategy on performance of SMEs in the construction industry in Kenya. Respondents were thus asked to indicate the extent to which they agreed with various statements relating risk handling strategy on performance of SMEs in the construction industry in Kenya. Responses were given on a five-point scale where: 1= Very small extent; 2= Small extent 3= Moderate extent; 4 = Great extent; 5= Very great extent. The scores of ‘Very small extent’ and ‘Small extent’ have been taken to represent a statement not agreed upon, equivalent to mean score of 0 to 2.5. The score of ‘Moderate extent’ has been taken to represent a statement agreed upon moderately, equivalent to a mean score of 2.6 to 3.4 the score of ‘Great extent’ and ‘Very great extent’ have been taken to represent a statement great extent upon equivalent to a mean score of 3.5 to 5.0.</td>
</tr>
</tbody>
</table>
and Ayali(2008) agreed that using a reinsurance technique, SMEs can allocate risks to those parties who are most appropriate to bear them. This can reduce losses of the original SME and therefore improve financial performance.

**Table 4: Risk Handling Strategy and Performance of SMEs**

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>The firm does risk diversification to spread risks exposures to enhance profits</td>
<td>3.562</td>
<td>1.532</td>
</tr>
<tr>
<td>The firm risk identification permits the investors to averse taking risks create portfolios to optimize levels of risk and return to increase the business profits</td>
<td>3.255</td>
<td>1.908</td>
</tr>
<tr>
<td>The firm has insurance to reduce the effects of the negative aspects risks to enhance the establishment of new branches and to increase the profit earnings</td>
<td>3.118</td>
<td>.652</td>
</tr>
<tr>
<td>The organization does risk-retention to keep the possibility of loss to increase the business profits</td>
<td>3.280</td>
<td>.560</td>
</tr>
<tr>
<td>The insurance helps the risk transfer for indemnification to improve the profits</td>
<td>3.478</td>
<td>1.435</td>
</tr>
<tr>
<td>Average mean</td>
<td>3.224</td>
<td></td>
</tr>
</tbody>
</table>

**Risk Monitoring and Evaluation Strategy**

The fourth objective of the study was to find out the influence of risk monitoring and evaluation strategy on performance of SMEs in the construction industry in Kenya. Respondents were thus asked to indicate the extent to which they agreed with various statements relating risk monitoring and evaluation strategy on performance of SMEs in the construction industry in Kenya. Responses were given on a five-point scale where: 1= Very small extent; 2= Small extent; 3= Moderate extent; 4 = Great extent; 5= Very great extent. The scores of ‘Very small extent’ and ‘Small extent’ have been taken to represent a statement not agreed upon, equivalent to mean score of 0 to 2.5. The score of ‘Moderate extent’ has been taken to represent a statement agreed upon moderately, equivalent to a mean score of 2.6 to 3.4 the score of ‘Great extent’ and ‘Very great extent’ have been taken to represent a statement great extent upon equivalent to a mean score of 3.5 to 5.0.

Table 5 below presented the findings. With a grand mean of 3.452, a majority of respondents can be said to moderate extent with most statements posed as regards influence of risk monitoring and evaluation strategies on performance of SMEs. Majority particularly highly agreed to a moderate extent that The firm loss prevention enhance chances to enhance business profits (M=3.220); The risk avoidance helps certain loss exposure is never acquired or an existing loss exposure is abandoned to enhance return to increase the business profits (M=3.255); The firm has a risk transfer policy to avoid the risk of bankruptcy to continue establishment of new branches to increase the profit earnings (M=3.118) The organization does enters to its expansion by the establishment of new branches through avoiding the risks to enhance possibility of earning profits (M=3.280); The organization has
established a risk avoidance measures to improve the profits (M=3.478). The study results imply that risk monitoring and evaluation influence performance of SMEs. The study findings are in agreement with literature review by Rejda(2013) states that that SMEs can put in place measures that reduce the severity of a loss after it has occurred. Therefore, good loss prevention and control practices are thought to enhance SMEs performance. It is a strategy, which implies that the chance of loss is reduced to zero because the loss exposure is never acquired. If SMEs fail to avoid some of the risks, they can run bankrupt (2007). SMEs therefore apply a system of policies and strategies in order to avoid the risk of bankruptcy provided their resources are applied effectively to enhance their performance.

Table 5: Risk Monitoring and Evaluation Strategy and Performance of SMEs

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>The firm loss prevention enhance chances to enhance business profits</td>
<td>3.221</td>
<td>.457</td>
</tr>
<tr>
<td>The risk avoidance helps certain loss exposure is never acquired or an existing loss exposure is abandoned to enhance return to increase the business profits.</td>
<td>3.535</td>
<td>.528</td>
</tr>
<tr>
<td>The firm has a risk transfer policy to avoid the risk of bankruptcy to continue establishment of new branches to increase the profit earnings</td>
<td>3.626</td>
<td>.582</td>
</tr>
<tr>
<td>The organization does enters to its expansion by the establishment of new branches through avoiding the risks to enhance possibility of earning profits</td>
<td>3.526</td>
<td>1.346</td>
</tr>
<tr>
<td>The organization has established a risk avoidance measures to improve the profits</td>
<td>3.248</td>
<td>1.325</td>
</tr>
<tr>
<td>Average mean</td>
<td>3.452</td>
<td></td>
</tr>
</tbody>
</table>

Performance of SMEs

On the extent to which performance of SMEs in the study area in terms of amount of profits, customer base, number of new markets, number of new employees’ added and new branches established. The data was collected from the different indicators of the variable performance of SMEs which was ordinal categorical. The data was therefore presented in frequency tables with the mode being used as the appropriate measure of central tendency. The results were presented in Table 6. The first indicator for the dependent variable required to know what the performance of SMEs in terms of amount of profits was, 10% of the respondents had 0-10% , 30% had 10-20% , 20% had 21-30% , 15% had 31-40% , 20% had 41-50% and 5% had stated over 50% The mode was found to be 2 which imply that on average the performance of SMEs in amount of profits was between 10%-20%. The next indicator required the respondents to state level of the performance of SMEs in terms of increase of customer base was, 15% of the respondents had 0-10% , 40% had 10-20% , 10% had 21-30% , 15% had 31-40% , 15% had 41-50% and 5% had stated over 50% The mode was found to be 2 which imply that on average the performance of SMEs in the increase of customer base was between 10%-20%.When the respondents were asked what the state level of the performance of SMEs in terms of increase of customer base was, 15% of the respondents had 0-10% , 40% had 10-20% , 10% had 21-30% , 15% had 31-40% , 15% had 41-50% and 5% had stated over 50% . The mode was found to be 2 which imply that on average the performance of
SMEs in the increase of customer base was between 10%-20%.

In terms of rate of increase of new employees as the measurement for performance of SMEs, 55% of the respondents had 0-10%, 10% had 10-20%, 5% had 21-30%, 10% had 31-40%, 10% had 41-50% and 10% had stated over 50%. The mode was found to be 1 which imply that on average the performance of SMEs in the increase of number of new employees added was between 0%-10%. When the respondents were asked what the state level of the performance of SMEs in terms of increase of new markets established was, 75% of the respondents had 0-10%, 4% had 10-20%, 4% had 21-30%, 9% had 31-40%, 8% had 41-50% and 0% had stated over 50%. The mode was found to be 1 which imply that on average the performance of SMEs in terms of increase of new markets established was between 0%-10%. Finally, when the respondents were asked to indicate the state level of the performance of SMEs in terms of increase of new branches established was, 85% of the respondents had 0-10%, 5% had 10-20%, 2% had 21-30%, 2% had 31-40%, 6% had 41-50% and 0% had stated over 50% The mode was found to be 1 which imply that on average the performance of SMEs in terms of increase of new branches established was between 0%-10%

The study findings corroborate with literature review by Hughes (2017) asserted that SMEs that succeeded in growing were more likely to have introduced product or process innovation. They were also more likely to have developed networks of collaborative partnerships and faced up to management development and reorganization needs as growth proceeded. Several studies have been conducted that show SMEs which risk management strategies in their operations recorded improved performance. This is because by adopting innovations resulted to improved products, reduction of cost and increase in market share and new branches.

Table 6: Performance of SMEs

<table>
<thead>
<tr>
<th>Description</th>
<th>0%-10%</th>
<th>11%-20%</th>
<th>21%-30%</th>
<th>31%-40%</th>
<th>41%-50%</th>
<th>Above 50%</th>
<th>Modal Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of profits</td>
<td>10%</td>
<td>30%</td>
<td>20%</td>
<td>15%</td>
<td>20%</td>
<td>5%</td>
<td>2</td>
</tr>
<tr>
<td>Customer base</td>
<td>15%</td>
<td>40%</td>
<td>10%</td>
<td>15%</td>
<td>15%</td>
<td>5%</td>
<td>2</td>
</tr>
<tr>
<td>Number of markets established</td>
<td>75%</td>
<td>4%</td>
<td>4%</td>
<td>9%</td>
<td>8%</td>
<td>0%</td>
<td>1</td>
</tr>
<tr>
<td>Number of employees</td>
<td>55%</td>
<td>10%</td>
<td>5%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>1</td>
</tr>
<tr>
<td>Number of branches established</td>
<td>85%</td>
<td>5%</td>
<td>4%</td>
<td>4%</td>
<td>6%</td>
<td>0%</td>
<td>1</td>
</tr>
</tbody>
</table>

Multiple Regression Analysis Model (Combined Effect)

The study adopted a multiple regression analysis so as to establish the relationship of independent variables and the dependent variable. The study applied SPSS version 22 to compute the measurements of the multiple regression analysis. According to the model summary Table 7, the coefficient of determination ($R^2$) is used to measure the regression model’s ability to explain the variation of the independent variables. $R$ is the correlation coefficient which shows the relationship between the independent variables...
and dependent variable. It is notable that there exists a strong positive relationship between the independent variables and dependent variable as shown by R value (0.788). The coefficient of determination ($R^2$) is between zero and one (Robinson, 2010). The data showed that the high R squared value of 0.621. It shows that the independent variables in the study were able to explain 62.10% variation in the performance of SMEs in the construction industry in the study area while the remaining 37.90% is explained by the other variables or other aspects outside the model. This implies that the set of the independent variables play a significant role on the performance of SMEs in the construction industry in Kenya.

Table 7: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>$R$</th>
<th>$R^2$</th>
<th>Adjusted $R^2$</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.788</td>
<td>.621</td>
<td>.589</td>
<td>.003</td>
</tr>
</tbody>
</table>

The analysis of variance was carried out to determine the effect of independent variables on the dependent variable simultaneously. According to Manly & Alberto (2016), F-statistic test basically shows whether all the independent variables included in the model jointly influence the dependent variable. Based on the study results of the ANOVA Test or F-test in Table 8, obtained F-count (calculated) value was 12.5850. This is greater than the F-critical (table) value (11.285) with significance of 0.005. Since the significance level of 0.005 < 0.05 we conclude that the set of independent variables affect the performance of SMEs in the construction industry in Kenya.

Table 8: Analysis of Variance Results

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>d.f</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>25.608</td>
<td>4</td>
<td>6.402</td>
<td>12.5850</td>
<td>.005*</td>
</tr>
<tr>
<td>Residual</td>
<td>35.608</td>
<td>70</td>
<td>.5087</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>61.216</td>
<td>74</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

NB: F-critical value = 11.235;

The study conducted a multiple regression analysis so as to determine the relationship between the dependent variable and independent variables. With the aid of model $Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$; $Y = \text{Dependent variable (Performance of SMEs)}$; $\alpha = \text{Constant (The intercept of the model)}$, $\beta = \text{Coefficient of the X variables (independent variables)}$; $X_1 = \text{Risk Identification}$; $X_2 = \text{Risk Evaluation}$; $X_3 = \text{Risk Handling}$; $X_4 = \text{Risk Monitoring and Control}$; $\varepsilon$ is the error term. Therefore, the general form of the equation was to predict Performance of SMEs from $X_1 = \text{Risk Identification}$; $X_2 = \text{Risk Evaluation}$; $X_3 = \text{Risk Handling}$; $X_4 = \text{Risk Monitoring and Control}$ is: $(Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon)$ becomes: $Y = 2.808 + 0.583X_1 + 0.536X_2 + 0.500X_3 + 0.498X_4 + 0.495$. This indicates that Performance of SMEs = 2.808 + 0.583* Risk Identification + 0.536* Risk Evaluation + 0.500* Risk Handling + 0.498* Risk Monitoring and Control + 0.495. From the study findings on the regression equation established, taking all factors into account (independent variables), constant at zero performance of SMEs was 2.808. The data findings analyzed also shows that taking all other independent variables at zero, a unit increase in risk identification will lead to a 0.583 increase in performance of SMEs; a unit increase in risk evaluation will lead to a 0.536 increase in performance of SMEs, a unit increase in risk handling will lead to a 0.500 increase in performance of SMEs and a unit increase risk monitoring and evaluation will lead to 0.498
increase in performance of SMEs. This infers that risk identification strategy contributed most to performance of SMEs.

Further, based at 5% level of significance, risk identification was found to have a calculated \( t = 4.890 \) (greater than the tabulated value of \( t > 1.96 \)) and a significance level of 0.002 thus the value of less than 0.05; risk evaluation show a calculated \( t = 4.336 \) (greater than the tabulated value of \( t > 1.96 \)) and a significance level of 0.002 hence the most significant factor was risk identification. The regression coefficients are summarised in Table 9.

**Table 9: Regression Coefficients**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>( \beta )</td>
<td>Std. Error</td>
<td>( \beta )</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>2.808</td>
<td>.495</td>
<td></td>
</tr>
<tr>
<td>( X_1 )-RI</td>
<td>.583</td>
<td>.119</td>
<td>.502</td>
<td>5.668</td>
</tr>
<tr>
<td>( X_2 )-RE</td>
<td>.536</td>
<td>.123</td>
<td>.488</td>
<td>4.890</td>
</tr>
<tr>
<td>( X_3 )-RH</td>
<td>.500</td>
<td>.129</td>
<td>.466</td>
<td>4.336</td>
</tr>
<tr>
<td>( X_4 )-RM&amp;E</td>
<td>.498</td>
<td>.173</td>
<td>.365</td>
<td>3.880</td>
</tr>
</tbody>
</table>

**CONCLUSION AND RECOMMENDATIONS**

The study sought to establish the influence of risk management strategies on performance of SMEs in the construction industry in Kenya. The risk management strategies used included the risk identification, risk evaluation, risk handling and risk monitoring and evaluation. The empirical literature showed that all the independent variables had a positive impact on the overall performance of SMEs in the construction industry. A pilot study was undertaken to test the reliability and validity of the research instrument.

From the descriptive statistics the study established that a majority of respondents stated to a moderate extent that the risk identification influence performance of SMEs. Majority particularly highly agreed to a moderate extent that the firm always identify the source of the risks early enough in order to reduce negative aspects to enhance profit earnings. The firm identify the type of the risks and take necessary mitigation measures to reduce negative aspects thus the value of less than 0.05, risk handling was found to have a calculated \( t = 3.880 \) (greater than the tabulated value of \( t > 1.96 \)) and a significance level of 0.004 thus the value of less than 0.05, risk monitoring and evaluation show was found to have a calculated \( t = 2.865 \) (greater than the tabulated value of \( t > 1.96 \)) and a significance level of 0.008 hence the most significant factor was risk identification. The regression coefficients are summarised in Table 9.

From the study results it was established that a majority of respondents can be said to a moderate extent that risk evaluation strategy influence performance of SMEs. Majority particularly highly agreed to a moderate extent that the firm always does problem analysis to identify the negative aspects to reduce negative impact on the business profits. The problem analysis helps the organization to visualize the problem to reduce negative aspects to enhance the customer base. The firm has problem analysis strategy aimed at analyzing the real bottlenecks which the stakeholder attach to increase the profit earnings. The firm is able to quantify the
negative effects of the risks to reduce business loss and enhance profits earnings. There is forecasting of the source and type of risks early enough to reduce negative aspects to increase the profits in the organization. From the study results it was established that a majority of respondents can be said to a moderate extent that risk evaluation strategy influence performance of SMEs. The study established to a moderate extent that the firm always does problem analysis to identify the negative aspects to reduce negative impact on the business profits. The problem analysis helps the organization to visualize the problem to reduce negative aspects to enhance the customer base. The firm has problem analysis strategy aimed at analyzing the real bottlenecks which the stakeholder attach to increase the profit earnings. The firm is able to quantify the negative effects of the risks to reduce business loss and enhance profits earnings. There is forecasting of the source and type of risks early enough to reduce negative aspects to increase the profits in the organization.

From the study results the study established that risk monitoring and evaluation strategies influence performance of SMEs. The firm loss prevention enhances chances to enhance business profits. The risk avoidance helps certain loss exposure is never acquired or an existing loss exposure is abandoned to enhance return to increase the business profits. The firm has a risk transfer policy to avoid the risk of bankruptcy to continue establishment of new branches to increase the profit earnings. The organization does enter to its expansion by the establishment of new branches through avoiding the risks to enhance possibility of earning profits. The organization has established a risk avoidance measures to improve the profits. The study sought to determine the influence of risk management strategies on performance of SMEs in the construction industry in Kenya, attributed to the influence of risk identification, risk handling, risk evaluation and risk monitoring and evaluation The performance of SMEs in the construction industry in terms of increased amount of profits, establishment of new branches, and increase of customer base and the addition of new employees recorded low positive performance of SMEs in the study area. From inferential statistics, a positive correlation is seen between each determinant variable and performance of SMEs in the construction industry.

### Conclusion of the Study

The study established that risk identification influence performance of SMEs in the construction industry. The study revealed that the variable statistically, strongly and significantly correlated to performance of SMEs in the construction industry as it had a positive relationship with the dependent variable. This reveals that risk identification is an important factor that can enhance performance of SMEs in the construction industry. This also reveals that the more risk identification if well managed the more the performance of SMEs in the construction industry. Therefore, from these quantitative results it can be deduced that the study which sought to establish the influence of risk identification on performance of SMEs in the construction industry was achieved because it established that it influences performance of SMEs in the construction industry.

From the study results it was established that risk evaluation influence performance of SMEs in the construction industry. The study revealed that the variable statistically, strongly and significantly correlated to performance of SMEs in the construction industry as it had a positive relationship with the dependent variable. This reveals that risk evaluation is an important factor that can enhance performance of SMEs in the construction industry. This also reveals that the more risk evaluation if well managed the more the performance of SMEs in the construction industry.
According to the study results risk handling influence performance of SMEs in the construction industry. The study revealed that the variable statistically, strongly and significantly correlated to performance of SMEs in the construction industry as it had a positive relationship with the dependent variable. This reveals that risk handling is an important factor that can enhance performance of SMEs in the construction industry. This also reveals that the more risk handling if well managed the more the performance of SMEs in the construction industry.

Finally, according to the study results risk monitoring and evaluation influence performance of SMEs in the construction industry. The study revealed that the variable statistically, strongly and significantly correlated to performance of SMEs in the construction industry as it had a positive relationship with the dependent variable. This reveals that risk monitoring and evaluation is an important factor that can enhance performance of SMEs in the construction industry. This also reveals that the more risk monitoring and evaluation if well managed the more the performance of SMEs in the construction industry.

**Recommendations for the Study**

The study recommends for the organizations to identify and deal with risks proactively: The organizations need to have decision making process; the various types of risks have to be identified ex ante as far as possible. The organizations should have adequate risk identification mechanisms such as formulation of adequate. There should have risk identification strategy which is the basis for analysis and control.

The study recommends for the problem analysis to identify the negative aspects to reduce negative impact on the business profits. The problem analysis will help the organization to visualize the problem to reduce negative aspects to enhance the customer base. The organization has problem analysis strategy aimed at analyzing the real bottlenecks which the stakeholder attach to increase the profit earnings.

The study recommends for the risk monitoring and evaluation strategies to enhance performance of SMEs. There should be loss prevention and risk avoidance helps certain loss exposure is never acquired or an existing loss exposure. There should be risk transfer policy to avoid the risk of bankruptcy to continue establishment of new branches to increase the profit earnings.

**Areas for Further Studies**

A review of literature indicated that there is limited research on the influence of risk management strategies and performance of SMEs in the construction industry in the Kenyan context. Thus, the findings of this study serve as a basis for future studies on need for the risk management strategies on the performance of SMEs in the construction industry. This study confined itself to SMEs in the construction industry in Kajiado County, Kenya. A comparative study should be carried out to compare whether the findings also apply for other SMEs in different regions in order to validate whether the findings can be generalized in Kenya. Additionally, the study did not tie the variables explained in this study as the only factors of risk management strategies which influence performance of SMEs in the construction industry since the remaining 37.90% can explained by the other variables which the study recommends for further study.
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