

**INVESTIGATION OF RISK MANAGEMENT IN SMALL AND
MICRO ENTERPRISES:
A CASE STUDY OF MWANAKWEREKWE ZANZIBAR**

**INVESTIGATION OF RISK MANAGEMENT IN SMALL AND
MICRO ENTERPRISES:**

A CASE STUDY OF MWANAKWEREKWE ZANZIBAR

By

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**A Research Dissertation to be Submitted for Approval to Partial Fulfillment of
The Requirements for the Degree of Master of Science in Accounting and
Finance (MSc. A&F) of Mzumbe University**

2014

CERTIFICATION

We undersigned certifies that, we have read and hereby recommends for the acceptance by the Mzumbe University, a dissertation entitled '*Investigation of risk management in small and microenterprises*, a case of Mwanakwerekwe Zanzibar in partial fulfillments of the requirements for the award of Master of Science in Accounting and Finance of Mzumbe University.

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Internal Examiner

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External Examiner

Accepted for the Board of School of Business

.....

Signature

DEAN OF SCHOOL OF BUSINESS

DECLARATION AND COPYRIGHT

I, Baya Thani Awesu, declare that this dissertation is my own original work and that it has not been presented and will not be presented to any other university for a similar or any other degree award.

Date

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ABSTRACT

This study was done to investigate the risk management practices used by Small and Micro enterprises at Mwanakwerekwe market. The main objective of the study was to investigate risk management practices used by Small and Micro enterprises. The study's specific objectives were: (i) to identify the sources of risks that traders face; (ii) to examine the negative effects of risk in small and micro enterprises ; (iii) to investigate how the small and micro enterprises mitigate risk in their daily activities.

This study used descriptive research design. The sample of 65 small traders was selected as data collection method. The major methods used in data collection were questionnaires, interview, field observation and documentary reviews.

Data was analyzed using Statistical package for social sciences (SPSS) version 16 and Microsoft excel programme .The collected data was summarized into frequencies and percentages, which were later presented in tables and graphs for easier interpretation and clear understanding of the study.

In summary, it was found out that the main sources of risk were fire outbreak, poor government support and bad environment, low level of knowledge and poor security. It was also found out that these risks had the negative effects to the traders which included failure to return loans in time, loss of assets and ultimate bankrupt.

The study suggested that, several strategies should be used to mitigate the risks in small traders such as, to ensure that risk management policies within the small and micro enterprises are implemented, monitored to be effectiveness and efficiencies for risk management programs, the Government to create conducive micro economic environment, to restrict all cooking activities in the market, education is required to educate top level, small traders and training new employees in regard to the risk management process, as well as to use the resource economics, effectively and efficiently to be sustainably developed and achieve the goals and objectives. Finally, in order to reduce negative effects in the market, business owners should use insurance policy in business to cover the costs for emergence events like fire outbreak.

LIST OF ABBREVIATION

COSO	Committee of Sponsorship Organization
SMEs	Small and Medium Enterprises
CBN	Central Bank of Nigeria

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CHAPTER ONE

BACKGROUND INFORMATION

1.0 Introduction

1.1 Background of the Study

Every business faces risks, no matter its size, products or geographic location. Unmitigated risks can result of loss of opportunity, financial losses, loss of reputation, or loss of the right to operate in a jurisdiction. According to COSO (2004) the risk that a business may face include hazard risks (fire or property damages, windstorm and other natural perils, crime, personal injuries, diseases and disability), financial risks (price of commodity, interest rate, foreign exchange, asset value, liquidity, credit default, inflation, purchasing power), operational risk (human resources, product developments, efficiency, products/service failure, supply chain management, accounting information), and strategic risks reputation damage in form of trademark/brand and unfavorable publicity, competition, capital availability.

Many enterprises are facing more impediments to the adoption of new information technology, in particular small and micro enterprises. Part of the problem relates to limited resources and technology capabilities, the scale and affordability of information technology, as well as the facility of implementation within rapidly growing (Raisinghani, 2005).

Muhammad and Amber (2011) states that a business organization faces risk at the stage of startup grow and exit. To start a business takes one of the biggest risks fall. For example if you leave a well-paid job to start up a business you risk your own money to finance it or that of financiers/lenders. Business owners and entrepreneurs are, probably by their nature, less risk averse than those who are happy to work for someone else and let them take the risk. Being prepared to take a risk is necessary if business start-up and growth is to occur, but what is also necessary to succeed is the ability to avoid as much mishap as possible.

Due to the existence of many risks that affect small and micro business activities, this study investigates risk management practices in small and micro enterprises, and Mwanakwerekwe market being the case study.

1.2 Statement of the Problem

Risk management is the important aspect to the operations of any business activities in the world, and it has been given high consideration for running efficient and profitable ways. Due to availability of many negative occurrences that affect small and micro enterprises in the world, many researches have been conducted to identify risks that can occur to the small and micro businesses in different countries and find out measures to reduce, avoid or keep awareness about risks in small and micro business in the world. For example, a survey conducting in Kenya, Nairobi by Bowel et al (2009) found that the main risk facing SMEs are competition, insecurity, debt collection, and lack of working capital and power interruptions, political uncertainty, cost of materials, low demand and restrictive by-laws completed the list of risks facing on businesses.

A study finding by Lopez (2012) found that the main risks that small and micro enterprises face in Nigeria are did not maintain proper accounts as a result they cannot be able to identify, assess and plan the management of their business risk effectively. More so, about eighty four percent of SMEs did not cover their business against risk.

Despite the growth in studies on the risk management in small and micro enterprise, there is very limited amount of this type of studies being undertaken in the African context, in general and in Zanzibar in particular. The main purpose that motivates the researcher to conduct the study on risk management among small traders, and at Mwanakwerekwe Market, is due to occurrences of a number of negative incidents that indicate the lack of effective risk management among small traders' at Mwanakwerekwe market and similar markets in Tanzania namely, massive fires that gutted the Mbeya and Ilala market in Tanzania mainland (reference) and other unrecorded events that affect small and micro enterprises at Mwanakwerekwe market and similar business. These events, not only threaten the sustainability of owner of enterprises, but also affect the overall economy of the region and the Nation at large.

This study therefore, was intended to investigate the risk management practices in small and micro enterprises at market, by identifies in examining the sources of such risks, their effects and measures that used in mitigating the risks in business operations and suggest possible improvements on the same.

1.3 Research objectives

1.3.1 General Objective

The general objective of this study is to investigate risk management in small enterprises at Mwanakwerekwe market.

1.3.2 Specific Objectives

Specific objectives of this study were:

- i. To identify the sources of risk in small and micro enterprises.
- ii. To examine the effects of risk in small and micro enterprises at Mwanakwerekwe market.
- iii. To investigate how small and micro enterprises can mitigate risk in their daily activities.
- iv. To identify the advantages of taking risk management in small and micro enterprises.

1.4 Research Questions

- i. What are the sources of risk in small enterprises?
- ii. What are the effects of risk management in small enterprises at Mwanakwerekwe market?
- iii. How small enterprises can mitigate risk in their daily activities?
- iv. Identify advantages of taking risk management in small enterprises?

1.5 Significance of the study

The result of this study was helpful to individuals, organizations, nongovernmental organizations and government institutions in different opportunities. The findings of the study also been useful in the following aspects:

The study results were providing potential knowledge on the area of risk management and small enterprises of those key players at Mwanakwerekwe market.

Also, findings of the study were a base for investigation by other researchers. The findings were also providing policy and recommendation on the best of risk management in small enterprises and finally it was enabled the researcher as a student to fulfill the part of the course.

1.6 Scope of the Study

The scope of this study deals with small and micro enterprises and key players of small and micro business at Mwanakwerekwe market like leaders of the market. Furthermore, the research limited to time and financial resources so that in studying many variables required much time and money Therefore, this chapter has presented the gap of knowledge of the research topic such as due to availability of many negative occurrences that affect market but no evidence which show that there were studies on this issue conducted at Mwanakwerekwe market.

1.7 Limitation of the Study.

The study conducted with the following constraints and solved by the appropriate measures during the data collection.

- i. Respondents delayed to fill in and return the questionnaires. This limitation was only minimized by prompting the respondents through telephone calls and physical follow up. Despite this, some respondents failed to return the questionnaires leading to collecting less than the targeted number of questionnaires. Some respondents were giving excuses such as lack of time, misplacing the questionnaires and being too busy. Notwithstanding this limitation, questionnaires enough to accomplish the study were returned.
- ii. Moreover, the study took place in a locality area where English is not a medium for communication. Instead, Kiswahili dominates the area. In this case questionnaire interview was adjusted to suit the locality. This being the case,

there was a high possibility of interview adulteration during translation from English-Swahili-English

- iii. Uncooperative respondent. Some of the respondents refused to provide support to disclose sufficient and relevant information because they fear to reveal organization secrets, so the researcher tried to get that information from related staff members or management.
- iv. Limited time during the study was another limitation. This was because of bureaucracy in getting a letter of permission to conduct research, to solve this, the researcher worked hard to compensate time wasted.
- v. Other limitation includes risk of having good valid response due to poor attitudes of local people towards researchers. This limitation was solved by the help of the local leaders as well as permission letters from the respective governments' officials.

1.8 Organization of the study

The study is organized in five chapters which include chapter one which describe the back ground of the problem, statement of the problem, objective of the study, study questions and it's significant. In chapter two the study deal with literature reviews accompanied by conceptual frame work while in chapter three of the study mainly focuses on research methodology chapter four presents the analyzing and study's findings, and ultimately a discussion of the finding data collected during the study. Finally summary of the finding, conclusion and its policy recommendations are presented in chapter five.

CHAPTER TWO

LITERATURE REVIEW

2.1 Theoretical Literature Review

The literature review of this study covers the key concepts concerning the small and micro enterprises, risk management in small and micro enterprises, specific objective of the study, theoretical and empirical study related to risk management following by the conceptual framework of the study.

2.2 Concept of Small and Medium Scale Enterprises

There are various definitions to what constitutes a small or medium sized firm. For example, Abor et al, (2007) defines small or medium sized firms as the non – subsidiary and independent firms which employ less than a given number of employees. Abor et al, (2007) argues that enterprises qualify as micro ,small or medium-sized enterprise if they fulfils maximum ceilings for staff headcount and either a turnover ceils or a balance sheet ceiling . Marsch et al, (2007) assert that small and Medium Enterprises are more opaque in terms of information, that is, the information asymmetry, which is a situation where business owners or managers know more about their business prospects and risk than lenders. Information asymmetric between Small and Medium Enterprises and banks arise from Small and Medium Enterprises lack of accounting records, inadequate financial statements or business plans which makes it difficult for creditors and investors to assess the credit-worthiness of potential Small and Medium Enterprises proposals. Central Bank of Nigeria (CBN, 2011) argues that SMEs are critical to the development of any economy, potentials for employment generation, improvement of local technology, output diversification development of indigenous entrepreneurship and forward integration with large-scale industries.

In Tanzania the SME sector has been recognized as a significant sector in employment creation, income generation, and poverty alleviation and as a base for industrial development. The sector is estimated to generate about a third of GDP, employs about

20% of the Tanzanian labour force and has greatest potential for further employment generation Nkya (2002). However, Tanzania has never had a specific policy focusing at the development of SME sector. The different policies have various uncoordinated programmes and interventions aimed at supporting the sector with limited impact. This has resulted in a number of gaps leading to inability to address the core constraints inhibiting the growth of the sector. This has made it difficult to exploit the existing potentials for acceleration of SME development and limits its ability to exploit the exciting potential of SMEs to accelerate growth and improving availability of funds and covering their business against risk (Ministry of Trade and Industry, (2002).

2.2.1 Categorization of SMEs in Tanzania

In the context of Tanzania, micro enterprises are those engaging up to 4 people, in most cases family members or employing capital amounting up to Tshs5.0 million. The majority of micro enterprises fall under the informal sector. Small enterprises are mostly formalized undertakings engaging between 5 and 49 employees or with capital investment from Tshs5 million to Tshs.200 million. Medium enterprises employ between 50 and 99 people or use capital investment from Tshs.200 million to Tshs.800 million. (Ministry of Trade and Industry: 2002). While Zanzibar, micro enterprises are those engaging up to 5 people, in most cases family members or employing capital amounting up to Tshs4.0 million. The majority of micro enterprises fall under the informal sector. Small enterprises are mostly formalized undertakings engaging between 5 and 19 employees or with capital investment from Tshs4 million to Tshs.20 million or with annual turnover between Tshs 10millions to Tshs50millions. Medium enterprises employ between 20 and 99 people or use capital investment from Tshs.20 million to Tshs.225 million with annual turnover between Tshs50millions to Tshs750millions. (Tibandabage et al. 2001)

2.2.2 Policies and Strategies for Development of the SMEs Sector in Tanzania

An assessment of the SME sector has shown that it is facing constraints which need to be addressed adequately through this policy. The major areas of focus include creation

of the enabling business environment, developing the infrastructure, strengthening financial and non-financial services and establishing and strengthening institutions supportive to SMEs development (Ministry of Trade and Industry, (2002).

It is envisage that by 2020, Zanzibar will be a semi-industrialize economy, with manufacturing, tourism and trade contributing 60% to GDP. SMEs sector is listed in the Vision 2020 as one of the key priorities for promoting the diversification and transformation of the economy. Briefly, the Zanzibar Vision 2020 is the long term development plan which has be adopt in order to eradicate absolute poverty in Zanzibar by the year 2020.

2.2.3 Objectives of the SME Policy

The objective of the National Vision 2025 is to transform the predominantly agricultural economy to a semi-industrialized one. The SME sector has a significant role to contribute towards attaining this goal. It is on this basis that the Sustainable Industrial Development Policy identified specific strategies targeting at stimulating the SME sector to be able to play this crucial role.

2.2.3.1 Vision

The objective of the National Vision 2025 is to transform the predominantly agricultural economy to a semi-industrialized one. The SME sector has a significant role to contribute towards attaining this goal. It is on this basis that the Sustainable Industrial Development Policy identified specific strategies targeting at stimulating the SME sector to be able to play this crucial role. The vision of the SME Development Policy is to have a vibrant and dynamic SME sector that ensures effective utilization of available resources to attain accelerated and sustainable growth.

2.2.3.2 Mission

The mission of this Policy is to stimulate development and growth of SME activities through improved infrastructure, enhanced service provision and creation of conducive legal and institutional framework so as to achieve competitiveness.

2.2.3.3 Overall Objective

The overall objective of this policy is to foster job creation and income generation through promoting the creation of new SMEs and improving the performance and competitiveness of the existing ones to increase their participation and contribution to the Tanzanian economy.

2.2.3.4 Scope of the Policy

The policy covers the following key areas: Reviewing and reconsidering public policies and regulations that discriminate against or hinder the start-up, survival, formalization and growth of SMEs, enhancing the growth of the sector. Identifying and assigning clear roles of key actors, developing strategies that will facilitate provision of financial and nonfinancial services to SMEs. Developing and institutionalizing public-private partnerships for SME sector development (Ministry of Trade and Industry, (2002).

2.2.3.5 Policies and strategies for development of the SMEs sector

An assessment of the SME sector has shown that it is facing constraints which need to be addressed adequately through this policy. Given the importance of the sector and the need to transform it to a vibrant and dynamic one, it is crucial to put in place strategies that will facilitate the removal of those constraints so that it can attain the desired vision and identified objectives. In the SME development policy strategies have been identified focusing on areas which have maximum impact on the sector. The major areas of focus include: creation of the enabling business environment, developing the infrastructure, strengthening financial and non-financial services and establishing and strengthening institutions supportive to SME development. In this policy, problems are identified, Government statements are articulated and appropriate strategies are specified.

2.2.3.6.Importance of Small and Medium Enterprises

SMEs are important to the development of any economy, as they possess great potentials for employment generation, improvement of local technology, output diversification, development of indigenous entrepreneurship, and forward integration with large-scale industries. The fundamental contributions of SMEs the increased output of goods and

services and development of a pool of skilled and semi skilled labor force, which is expected to be a base for future industrial growth. They have also strengthened both forward and backward linkages among socially, economically and geographically diverse sectors of the economy thereby increasing participation of indigenous in economic activities of the country. Further they have also created opportunities to cultivate and nurture entrepreneurial and managerial skills of the country (Ministry of Trade and Industry, (2002).

The SMEs tend to be labour-intensive, they create employment at relatively low levels of investment per job created. At present, unemployment is a significant problem that Tanzania has to deal with SMEs tend to be more effective in the utilization of local resources using simple and affordable technology, also the SMEs play a fundamental role in utilizing and adding value to local resources.

In addition, development of SMEs facilitates distribution of economic activities within the economy and thus fosters equitable income distribution. Furthermore, SMEs technologies are easier to acquire, transfer and adopt.

Also, SMEs are better positioned to satisfy limited demands brought about by small and localized markets due to their lower overheads and fixed costs. Moreover, SME owners tend to show greater resilience in the face of recessions by holding on to their businesses, as they are prepared to temporarily accept lower compensation (Ministry of Trade and Industry, (2002).

In addition, SMEs serve as a training ground for entrepreneurship and managerial development and enable motivated individuals to find new avenues for investment and expanding their operations. And the recognition of SME sector that it has higher potential for employment generation per capital invested attracts key actors to support SME development programmes, since SME development does contribute significantly to poverty alleviation, resources earmarked for poverty alleviation will also be availed to the SME sector (Ministry of Trade and Industry, (2002).

2.3 Definition of the Terms

2.3.1 Risk and globalization

Globalization and Liberalization has also price risks for the organizations system customers today touch of a button can transfer billion dollars from one country to another, we are today living in global village.

Risk is the chance of something or an event happening that will have effect upon set goals that is unexpected and unforeseen ((Labodova, 2004)). According to Raghavan (2005) risk is the potentiality that expected events may have an adverse impact on the capital earnings. Risk could also refer to the chance that some unfavorable event will occur and in this respect risk describes a situation where there is not just one possible outcome of returns to an investment but an array of potential returns.

According by Verma (2005) risk is potential for realization of unwanted negative consequences of an action. such as property losses may be damaged by many common perils like fire, windstorm, flood and vandalism for example most firms buy insurance to protect against the losses caused by such perils but effectively firm's property loss exposures, a business person must consider other perils which are less common also business interruption possibilities of loss of revenue and extra expenses this can happen when an important supplier or customer suffers a severe accidental loss for example the cause of retailer who gets 50 % of revenue from the high rice miller manufactured by one supplier the retailer's income will be affected if the ricers had fire could not inventory to the retailer Verma, (2005) .

Risk can be classified into several distinct categories the most important categories are the following:

- Pure risk and speculative risk,
- Fundamental risk and particular risk.
- Enterprises risk

2.3.2 Pure risk and speculative risk

Pure risk is defined as a situation in which there are only the possibilities of loss or no loss the only possible outcome are adverse(risk) and neutral (no loss) for example damage the property from fire ,lighting, flood ,or earth quake.

Speculative risk is a situation in which either profit or loss is possible. For example if you purchase 100 share of common stock you would profit if the price of stock increase but would loss if the price decline.

2.3.3 Fundamental risk and Particular risk

Fundamental risk is risks that affect the entire economy or large number of person or group within the economy for example include rapid inflation, cyclical unemployment, war because large number of individual are affected.

Particular risk is a risk that affects only individual and not entire community for example includes thefts, bank robberies and dwelling fires.

2.3.4 Enterprise

Enterprise is the organization designed to provide goods and services to the consumers.

2.3.5 Enterprise risk

Enterprise risk is a term that encompasses all major risk faced by a business firm such as risk includes pure risk, speculative risk as described above, strategic risk, operational risk and financial risk.

2.3.6 Strategic risks

Refer to uncertainty of loss because of adverse changes in commodity price, interest rate, foreign exchange rate, and value of money. For example food company that agree to deliver cereal at a fixed price a supermarket in six month may lose money if grain price rise.

Enterprise is becoming more important in commercial risk management which is process that organization use to identify and treat major and minor risk.

According to COSO (2004) the events that can cause risk are divided into two- external factors and internal factors. The external factors include: economic factors (capital, credits, insolvability, liquidity, financial market, unemployment, competition, joint venture); environmental factors (pollutions, energy, national disaster, and sustainable development) political factors (law, public policy, rules, political changes); social factors (demographic, consumer behavior, firm nationality, privacy, and terrorism) and technological factors (interruption-commerce, external data, emerging technologies). The internal factors include: infrastructure (material resources availability, material resources potentiality, capital access, complexity); human (human potentiality, fraud, health and safety); process (sources, design, execution, suppliers); technology (data integrity, data and system availability, system choice, development, diffusion, maintenance). The type of risk that a business may face could be hazard risk (fire or property damages, windstorm and other).

2.3.7 Enterprise Risk Management

In the 1990s, the field of risk management expanded to include managing financial risks as well as those associated with changing technology and Internet commerce. As of 2000, the role of risk management had begun to expand even further to protect entire companies during periods of change and growth. As businesses grow, they experience rapid changes in nearly every aspect of their operations, including production, marketing, distribution, and human resources. Such rapid change also exposes the business to increased risk. In response, risk management professionals created the concept of enterprise risk management, which was intended to implement risk awareness and prevention programs on a company wide basis. "Enterprise risk management seeks to identify, assess, and control sometimes through insurance

2.3.8 Inventory of Risks

The first step in operational Enterprises Risk Management is to identify the risks to which the company is exposed". A common approach to identify the types of risks that will be measured. In the early days of corporate risk management, financial institutions focused mainly on market and credit risks. Eventually operational risk was added. As a

result, a common practice for banks is to classify all risks into one of three categories: market, credit, and operational. But for such an approach to capture all the risks the firm is exposed to, operational risk has to be a catch-all category that includes all risks that are not market and credit risk. Because the equity derivatives desk used a different computer system, such an undertaking would have required major changes in the way the desk did its business. But since the desk was highly profitable, it was allowed to stay outside the system.

2.3.9 Risks specify to small businesses

Every business needs a strong risk management strategy, and SMEs need even stronger risk management system. Due to limitations in size and capabilities, small businesses suffer from several extra risks, such as:

- Hazard risk
- Financial risk
- Operational risk
- Strategic risk
- Competition and market share
- Business entity risk
- Human capital risk
- Competition and market share

2.4 Risk management

Risk management involves identifying, analyzing, and taking steps to reduce or eliminate the exposures to loss faced by an organization or individual. The practice of risk management utilizes many tools and techniques, including insurance, to manage a wide variety of risks. Every business encounters risks, some of which are predictable and under management's control, and others which are unpredictable and uncontrollable.

2.4.1 Concept of Risk Management

Committee of Sponsorship Organization (COSO, 2004) explains that risk is the events that can cause risks are associated with external factors and internal factors. The external factors include: economic factors (capital, credits, liquidity, financial market, unemployment, competition, joint venture); environmental factors (pollutions, energy, national disaster, and sustainable development), political factors (law, public policy, rules, political changes); social factors (demographic, consumer behavior, firm nationality, privacy, terrorism) and technological factors (interruption, Ecommerce, external data, emerging technologies).

Georg, (2008) defined Risk management as the process that identifies potential loss faced by an organization and selects the most appropriate technique for treatment such exposure for example the possible theft of firm property because of inadequate security and injuries to employees at work .

In past risk managers considered only pure loss exposures faced by the firm however newer form of risk management are emerging that consider both pure and speculative loss exposure faced by the firm.

Figure 2. 0: Step in the risk management process



Source: www.indianresearchjournals.com

There are several steps of risk management but Georg (2008) the most four steps in the risk management process:

- Identify loss exposure
- Analyze the loss exposure
- Select appropriate techniques for treating the exposure
- Implement and monitor the risk management program

2.4.1 Risk management in SMEs

Small to medium businesses are exposed to risks all the time. Such risks can directly affect day-to-day operations, decrease revenue or increase expenses. Their impact may be serious enough for the business to fail. Most business managers know instinctively that they should have insurance policies to cover risks to life and property. However,

there are many other risks that all businesses face, some of which are overlooked or ignored. Every business is subject to possible losses from unmanaged risks. Sound risk management should reduce the chance that a particular event will take place and, if it does take place, sound risk management should reduce its impact. Sound risk management also protects business wealth.

Risk management starts by identifying possible threats and then implements processes to minimize or negate them. Sound risk management can produce the following benefits: lower insurance premiums , reduced chance that the business may be the target of legal action , reduced losses of cash or stock etc , reduced business down time. This guide identifies some of the risks and areas where risks may emerge and it provides some strategies to manage them. Some of these risks can be controlled if appropriate action is taken to do so, whereas, some are largely unpredictable and uncontrollable.

When every aspect of the business is carefully considered, planned and executed based on accounting information. The managers can only control the risk within their control. However, a business could still face risk of closure due to some factors that are beyond its control such as: fire, flood, tornado, hurricanes, earthquakes, political crises and war among others can destroy in a few minutes what may have taken entrepreneur years to build. Such losses and liabilities can affect day to day operations, reduce profits, and cause financial hardship severe enough to cripple or bankrupt a small business (Azende, 2012), and prevent it from contributing to the economic development of the nation.

The ability of the management of Small and Medium Scale Enterprises (SMEs) to carefully identify the risk that their business face and take action accordingly to counter the risk, will certainly be successful, profitable and contribute to the economic growth of the nation.

It is therefore, important for every business organization, be it small, medium or large scale to take its risk management seriously. Managers that do not take risk management of their businesses seriously are faced with the problem of performance which threatens the continuous existence of their business, be it small or large.

Risk management involves identifying, analyzing, and taking steps to reduce or eliminate the exposures to loss faced by an organization or individual. The practice of risk management utilizes many tools and techniques, including proper accounting records keeping and insurance, to identify and manage a wide variety of risks.

Every business encounters risk, some of which are predictable and under management's risk control, while others are unpredictable and uncontrollable, therefore, some companies undertake policies with insurance companies to serve as a cover for them. For example, when SMEs do not keep proper record they are considered as being risky. However, SMEs that keep proper accounting records can use the information provided to manage the risk (financial risk) faced by them, because the financial data and ratios form the basis for risk (financial) management. One way of managing risk with financial data is by identifying financial risks through the analyses of the financial statements of the company. Therefore the results of risks and also weaknesses of the financial situation of the business can be found. The effective keeping of accounts and records by SMEs can be used to assess how their business was and will be able to be economically. More so if the financial analysis is reliable it will help in assessing the insolvency or bankruptcy risk of SMEs and at the same time is easy to apply by SMEs owners. This will aid SMEs managers to effectively manage risk that is within their control through diversification or ignore to undertake such activity and the ones they cannot diversified can be covered or managed through insurance policy.

2.4.3 Benefits to managing risk

Risk management provides a clear and structured approach to identifying risks. Having a clear understanding of all risks allows an organization to measure and prioritize them and take the appropriate actions to reduce losses. Risk management has other benefits for an organization, including:

- Saving resources: Time, assets, income, property and people are all valuable resources that can be saved if fewer claims occur.
- Protecting the reputation and public image of the organization.

- Preventing or reducing legal liability and increasing the stability of operations.
- Protecting people from harm.
- Protecting the environment.
- Enhancing the ability to prepare for various circumstances.
- Reducing liabilities.

2.4.4 Possible ways of meeting various business risks

Risk mitigation is an action in present for securing the future, proactive activity (Raghavan, 2005). It is the process of measuring, or assessing risk and then developing strategies to manage the risk. Risk and risk mitigation is a major concern for all companies, especially small and medium sized enterprises which are particularly sensitive to business risk and competition. Small to medium businesses are exposed to risks all the time and such risks can directly affect day-to-day operations, decrease revenue or increase expenses, an impact that may be serious enough for the business to fail. According by Head (1997) and Georg (2008) the following ways of meeting various business risks such as:

2.4.4.1 Avoiding loss exposure

To avoid those risks are avoidable, the essence of risk avoidance is to refrain from undertaking or to abandon on an extra hazardous for small and micro enterprise thus completely removing the possibility of loss arising from those small and micro enterprises. A prudent business person avoids activities which are too hazardous such as establishment a store on the bank of river which floods regularly or selling products which is likely to injure customers or delivery vans which have know mechanically defects.

To fully prevent liability and person loss arising out of the manufacture of a particular insecticide the firm would have to stop producing it Georg (2008).

2.4.4.2 Preventing loss exposure

The secondly and most important way of meeting a risk is to prevent it. All loss prevention measures are efforts to reduce the probability of frequency of loss.

2.4.4.3 Minimizing loss exposures

Since all loss can't be made to minimize or reduce the same for example fire alarms and automatic extinguishing system do not keep fires from happening but they help to hold the size of loss, also small and micro enterprise might minimize the potential loss to its inventory as result of fire, windstorm or such other perils by warehousing merchandise in several locations.

2.4.4.4 Risk transfer

To protect him against the chance of losses adopting one or another method, the strategies employed include transferring the risk to another party, avoiding the risk, reducing the negative effect of the risk, and accepting some or all of the consequences of a particular risk. To safeguard fully against situation introduce uncertainty and insecurity in his life. And such sense of uncertainty could well be transferred to shoulder of others through process known as insurance Georg (2008).

2.4.4.5 Insurance

Is a term generally making oneself safe against something but is specially used in connection with making financial provision against certain risk in business. Insurance is another method used by SMEs to manage risks. This involves transferring risk to an insurance company so that in the event that the risk occurs then the insurance firm will take business to its initial state. The essence of insurance lies in the elimination of the in certain risk of loss for individual through the combination of a large number of similarly exposed individual who contribute to a common fund premium payments sufficient to make good the loss caused to any one individual (Geog, 2008).

2.4.4.6 Diversification

Involves running of more than one business as a strategy for risk management SMEs, Owners run more than one business as a diversification strategy to manage risk but that the process could be improved if SMEs managers were skilled the choice of suitable business combinations in their portfolios (Georg 2008).

2.5 The effective functioning of SMEs

The effective functioning of SMEs requires that loss exposures be identified, measured, and treated as risk management defined, also effective risk management's program yield substantial benefits to the firm or organizations.

The cost of risk is reduced, which may increase the firm profit, these cost include premium paid, retained losses, loss control expenditures, outside risk management services, financial guaranties, internal administrative costs and taxes, fees, and certain other expenses Head (1997).

2.6 Challenges that faced SMEs

The major challenges that may face small business in the country include unfriendly business environment, poor funding, low managerial skills and lack of access to modern technology. Among these, shortage of finance occupies a very central position which may be due to the risky nature of Small and Medium Enterprises (SMEs) Hall (1987).

Also Central Bank of Nigeria (CBN, 2011) the major challenges that may face small business in the country include unfriendly business environment, poor funding, low managerial skills and lack of access to modern technology. Among these, shortage of finance occupies a very central position which may be due to the risky nature of Small and Medium Enterprises (SMEs). The experiences the women entrepreneurs have in running their businesses include such problems as lack of enough capital, difficulties in transportation and marketing, the perish ability of some commodities and competing demand related to household chores, difficulties in licensing procedures, finding staff

with the right skills, willing to work for a small firm can be a problem, as is ensuring they have the time to update their skills and keep up with Mwobobia (2012).

Small and Medium Enterprises face unique challenges, which affect their growth and profitability and .hence, diminish their ability to contribute effectively to sustainable development. In this article, the following challenges are briefly discussed:

- Lack of managerial training and experiences,
- Inadequate Education and skills,
- Lack of credit,
- National policy and regulatory environment,
- Technological change,
- Poor infrastructure and scanty markets information,
- Lack of managerial Training and Experiences.

2.7 Empirical Literature Review

Lopez (2012) revealed that most SMEs did not maintain proper accounts as a result they cannot be able to identify, assess and plan the management of their business risk effectively. More so, about eighty four percent of SMEs did not cover their business against risk. The study therefore concludes that risk management in SMEs is low; therefore, this study intends to fill this gap. And these risks affect many small enterprises in the world and sometime the owners of these business stop to run their business or operate in loss, therefore this study intends to investigate risk management in small enterprises at Mwanakwerekwe market, as a case study.

A study by Singapore Government (2012) coincidentally proved that the most significant risk among small businesses involves human factor. High degree of employee turnover and shortage of know-how experts both result in wastage of manpower and additional cost of training. In long term, human factor will lower the productivity and affect the brand image of small businesses as an employer.

Accordingly to Raghavan (2005) concluded that measured can also be managed, It should be clearly understood that risk mitigation efforts are more important and vital than capital allocation against inadequate risk management system.

A study done by Smit and Watkins (2012) concluded that the impediments to SME success are numerous and varied, and include inherent organizational obstacles such as poor managerial skills and education and training; industry-related problems such as the entrepreneur's inability to understand market expectations, and poor market access; and economy-based obstacles such as interest rate fluctuations.

SME owner-managers are primarily responsible for the management of their enterprises' activities. Studies conducted confirmed SME owner-managers' ignorance pertaining to the risks their enterprises face from internal and external sources, including risks emanating from entrepreneurial actions. SME risk management techniques are primarily limited to risk avoidance actions, and to a lesser extent, risk transfer through. By embedding a structured approach to enterprise risk management within SMEs, potential benefits such as cost reductions, reducing the over-management of risks and organizational alignment towards the SME's mission and objectives can be realized.

The studies of the differences countries such as Canadian, Russia, China, South Africa and Spain concluded that shortage of working capital to finance, limitations in finance and related physical resources have continued to be highlighted as a SMEs. Limited information to locate/analyze markets and inadequate knowledge of overseas market also emerged as a top barrier in a recent study of firm (2008). This factor was highlighted as the most cited internationalization barrier among the responding firm, suggesting that information gaps remain a critical challenge to SMEs even in the current era of extensive information availability and inability to contact potential overseas customers also barrier.

Among the study reported relevant evidence are separate UK research by Crick (2007), highlighted the difficulty of locating /obtaining adequate representation in target export markets while the other two studies identified finding an appropriate foreign market partner as a key impediment to the internationalization of the SMEs studied.

A survey of Swedish exporters by Rundh (2007) also report the difficulty of gaining access to suitable distribution channel in international markets and lack managerial time, skill , and knowledge. Difficulties arising from limited managerial knowledge base emerged as top barrier to SMEs internationalization in several recent surveys.

A study of American and Canadian 2007 firm for example reported that managerial risk perceptions and lack of knowledge about international markets were major reasons for not engaging in international trade.

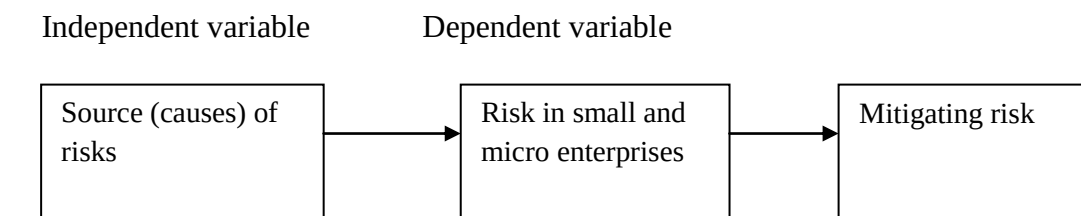
A study done by Smit and Watkins (2012) found out that few SMEs owners and managers are risk aware and they focus their risk actions on loss control programs in the areas of fire, safety, health and quality assurance. The ability of the management of SMEs to carefully identify the risks that their business could face and take actions accordingly to counter them will certainly lead to successful and profitable ventures and contribute to economic growth of the nation. Smit and Watkins (2012) argued that determining the components of total risk in SMEs is difficult due to the fact that they are heterogeneous and also the difficulty in separating the owner from the business. However, managers that do not take risk management seriously are faced with the problem of performance that threatens the continuous existence of their business which can be equated to what is called risk.

A study by Njau (2011) reported that many SMEs owners run more than one business as a diversification strategy to manage risk but that the process could be improved if SMEs managers were skilled the choice of suitable business combinations in their portfolios. Alquier and Tignol (2012), agrees with this approach as a more appropriate framework to capture and manage the diversity of risk while maintaining maximum returns.

2. 8 Conceptual framework

The source of each risk helps to manage the risk at its source instead of its outcome. If the source of a risk is not identifying, the risk may not be managed as effectively and efficiently as desired by management. External risk (those arising outside the small and micro enterprises) may not be fully manageable by the small and micro enterprise. Internal risks that are not managed at the source may result in ineffective deployment of valuable resources. For example, if a micro's products are not selling as expected to a perception that the price is too high, there may be an increased focus on managing price risk within the sales and marketing areas.

Figure 2.1 Conceptual framework



Source Author: 2014.

Note: 1 Source of risks:

- Bad environment
- Poor security,
- Poor government support
- Low knowledge, fire outbreak
- Electrical cut,
- Record keeping
- Thief,
- High competition
- Low customers
- Social conflicts

Note: 2. Risk (possible negative effects):

- Reduction of capital
- Loss of assets
- Decaying of product
- Low money circulation
- Fail to return loan in time
- Bankrupt,
- Reduction of revenue
- Fail to afford customer needs

Note: 3Mitigating risks:

- Good management,
- Entrepreneur training
- Infrastructure,
- Government policy,
- Fire dictator,
- Security,
- Identify customer need,
- Take loan from bank,
- Avoid cooking in market.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter represents the research methodology which describes type of the study, study area, study population, units of analysis, variables and their measurements, sample size and sampling techniques, types and sources of data, data collection methods, and data analysis methods applied in this study.

3.1 Area of Study

This study was conducted at Mwanakwerekwe market in Zanzibar city, in which the researcher was investigated risk management in small and micro enterprises. The reasons of selected this area is due to occurrences of negative events that affect negatively small and micro enterprises for easy collecting the required information of the study.

Figure 3.1: Researcher looks market in the study area



Source: Field data 2014

3.2 Research Design

This study used a descriptive research design, because the researcher was attempting to describe and explained conditions of risk management at Mwanakwerekwe market by using questionnaires to fully describe a phenomenon. To achieve the objective of the study, 65 key players and small and micro enterprises was selected. The selection of small and micro enterprise comprised the following; line of businesses, namely the

owners of shops, printing, barber shop, rice millers, patent medicine stores, hotels, and computer services. The business lines most of enterprises at Mwanakwerekwe market are in the form of small and micro businesses.

3.3 Sampling Technique

This study used probability and non-probability sampling technique. In probability sampling, the systematic sample was used to pick the respondents and every 27th small and micro enterprise were selected for included in the sample and in non-probability sampling the study was purposive sampling because the researcher was selected the best 15 respondents to answer research interview questions to meet research objectives.

3.4 Research Approach

This study employed both qualitative and quantitative research approaches. Qualitative approach helped the researcher to obtain description of the items concerning the risk management in small and micro enterprises. On the other hand, Quantitative approach was employed to obtain quantifiable data about the study. Such data was obtained from the close ended questions in the questionnaire that was administered from the owners of small enterprises at Mwanakwerekwe market and key players in the market.

3.5 Population of the Study

Mugenda and Mugenda (2003) Defined a population frame as an objective list of the population from which the researcher made his/ her selection. The study population was both small and micro enterprises at Mwanakwerekwe market which were estimated to be 1350 in population and 15 key players (purposive samples).

3.6 Unity of analysis

This study was composed of two types of units of analysis. These are: small and micro enterprises (owners of shops, printing, barber shop, rice millers, patent medicine stores, hotels, and computer services) at Mwanakwerekwe market and key players of small and micro business at Mwanakwerekwe market like leaders of the market who are responsible for SMEs. Members of these units of analysis have informal education and

some of them have education level between primary and secondary level and have experience for ten years and above in business matters.

These categories of participants were considered for the study because they are the ones participating in small and micro enterprises.

3.7 Sample Size of the Study

According to Kothari (2004) Sample size refers to the number of items that was selected from population. The Researcher believes that this sample is optimum at the sense that it can fulfill the requirements of efficiency, representativeness, reliability and flexibility. As wisied by Kothari (1990) that sample size should be optimum - optimum sample is one which fulfills the requirements of efficiency, representativeness, reliability and flexibility. In this study the Purposive sampling technique was used, the researcher selected 15 elements which believed that a good source of information and had been an experience and knowledge of the research topic. Also the researcher used systematic sample of 1350 estimate populations. A systematic method was used to collect data, every 27th micro enterprises was selected to provide required information of the study. This was started point to a random selection, and choices thereafter are at regular intervals. For example, suppose you want sample size of 50 the owners of small enterprises at Mwanakwerekwe market for 1350 population. $1350/50=27^{th}$, so every 27th enterprises was chosen after a random started point between 1 and 27. If the random started point is 1, then the enterprises selected are 1, 28, 56, 84, 112, 140, 168, 196,224.....and so on until 1350.The sample size were 50 out of 1350 total population of small and micro- enterprises and was used purposive sampling 15 key players so as make total sample size obtained were 65.

3.8 Dimension of the Study

The researcher investigated only risk management at small and micro enterprises at one point in time by identifying, and measures used to address risks that affect small and micro enterprises at Mwanakwerekwe market and provide evaluation, solution and

recommendations that will be helpful to small and micro enterprises at the market, to the region and nation at large

3.9 Types and Source of Data

The study was used both primary and secondary data. Primary data are ones that was collected for the first time by the researcher. Primary data have the advantage of giving the researcher an in-depth familiarity with the research founded, promoted accurate answers, and a better understood of the research process (Gall et. al, 2005). This data was obtained through the questionnaire and interview was administered to participants. Secondary Data on other hands, the data obtained from literature sources or data collected by other people for some other purposes. Thus secondary data provided second hand information and included both raw data and published ones (Saunders et al.2000). Some of the data collected and stored from different documents concerns to the risk management and different websites and other published documents. Such as copies of letters, minutes of meetings, newspapers, journals and text book. This study researcher was reviewing various documents such as minutes of meetings, newspapers, journals, websites, and other published documents.

3.10 Data collection methods

The study employed four methods for collect data. These methods are Field observation, questionnaires and interviews, documentary review. Accordingly, multiple methods in data collection have advantage of improved validity as well as reliability of the study finding Janesick (1998), concluded that one advantage of adopting case study design is that of triangulating method.

A questionnaire is the main data collection instrument to obtain qualitative data from the small traders at Mwanakwerekwe market. A questionnaire consists of a number of questions printed in a specific order in a set of forms. The respondents have to answer the questions on their own (Kothari, 2004). In this research structured questionnaire was administered to respondents. The questionnaires was comprises close ended and open ended questions. The questionnaires used because it involves low cost even when

the universe is large. It is broadly extend geographically, free from the bias of the interviewer and answers are in respondents own perceptions. In addition to that respondents who are not approachable can also be reached conveniently.

Also the study was used documentary reviews to support primary data wherever necessary. Hence the relevant report, books, newspaper magazines, internet, speeches and other related documents was highly communicated.

3.10.1 Field observation

Under the observation method, the information was sought by investigator's own direct observation without asking from the respondents. The main advantage of this method is that subjective bias is eliminated, if observation is done accurately (Lapin, 1987).

The researcher visited the study area and also recorded whatever clues relevant to the accomplishment of the study. Also, photographic techniques used in order to investigate the real situation in the field. The observation is important so as to minimize the problems that might occur during the study such problem include poor responses from respondents.

Figure 3.2: A researcher look the dirty environment in study area;



Source: field data 2014

3.10.2 Questionnaire

The semi-structured questionnaire having close-ended and open-ended questions was employed to obtain responses from the owners of small enterprises at Mwanakwerekwe market and key players in the market. This questionnaire consisted of four main sections that were reflecting objectives of the study.

Figure 3.3: Enumerators during the collection of primary data.



Source: Field data, 2014.

Figure 3.4: A principal researcher collects primary data.



Source: Field data, 2014.

3.10.3 Interview

The study was applied structured and semi structured interviews concerning the risk management in small and micro enterprises at Mwanakwerekwe market. The researcher was asked the respondents from written questionnaires and asked questions and fills the answer in the questions paper. The respondents were involved and talk about their views. This type of interview is highly standardized and the interviewer follows a rigid procedure, asking questions in a form and order prescribed (Kothari, 2004) using a structured questions is important when conducting interviews because it enhances validity of the findings.

Figure 3.5: A researcher during interview with market Official,



Source: field data 2014

3.10.4 Documentary Review

Documentary review involved official publications, library visits, research journals and internet search. The information obtained from these sources may be helped the researcher to expand knowledge on risk management, and was supported the data obtain from the respondents.

Figure: 3.6 a researcher review the documents in the market



Source: Field data 2014

3.11 Reliability and Validity of data

Reliability involves the consistency, or reproducibility, of test scores i.e., the degree to which one can expect relatively constant deviation scores of individuals across testing situations on the same, or parallel, testing instruments. Validity on the other hand, is the extent to which interpretation of data collected by the researcher are appropriate, meaningful and useful (Gall et al., 2005).

In order to reach the reliability the researcher insured the optimum sample is reached. As wised by Kothari (1990) that sample size should be optimum - optimum sample is one which fulfills the requirements of efficiency, representativeness, reliability and flexibility.

Also data were collected from multiple sources through interviews, Questionnaires and documents reviewed rather than rely on single source; this enriches reliability of findings Creswell (2007). Multi-source of data collection allow triangulation. With triangulation strategy, reliability of the study will be enhanced and reduces threats for internal validity. (Kothari, 2008).

The interpretation on data which was obtained from questionnaires was done simultaneously with information that was gathered during interviews and library research and other secondary data, this allowed some sort of reliability, (Kothari, 2008). Due to the good relationship of the respondents, availability of information was valid and reliable, because the businessperson/entrepreneur of Mwanakwerekwe market have good relationship with researcher during the field period, therefore it helped to do this research without victimize and loose time, so it is believed that major threats to reliability of the research findings are eliminated.

In research, reliability implies the possibility to come up with similar findings by other researchers. To ensure the reliability, researcher should schedule a structured interview, avoid bias in interpreting answers, and take care in analyze data.

Validity essentially involves in the question whether the research internally and externally measures what was intended. (Chris, H. 2013). Internal validity implies the reliability of the study. External validity, given internal validity is approved, counts the applicability of the result to larger target of the research.

In order to ensure the validity and reliability, the researcher was done the following

- Multiple methods was used to collected data and information (questionnaires, interviews and field observation, documentary review) and from different units of analysis in order to confirm data source and reduced bias and thus improved validity of data and information obtained
- Data was collected by the researcher alone. This gives the researcher ability to avoid reliability error which might arise due to observer error and bias.

3.12 Data analysis

Data collect was edited to eliminate inconsistencies, summarized and coding for easy classification in order to facilitate tabulation and interpretation, descriptive statistics were used in described the sample data in such a way as to portray the typical respondent and to reveal the general response pattern. In this study the data analyzed by

using SPSS and excel so as to summarize and organized data in meaningful way. The data were interpreted so as to given clear meaning to the readers and researcher referred the sample drawn from the population in order to give conclusion about the study.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.0 Introduction

This chapter presents data analysis which was collected in the field. This chapter intended to answer the sources of risks, effect of risk, measures that can be used to reduce risks of Mwanakwerekwe market and advantage of taking risk management in business operations , and finally analyzing on the way in which effective of risk management in small and micro enterprises in Zanzibar. The specific research objectives have been used as a guide who consists of: to identify the sources of risk in small and micro enterprises at Mwanakwerekwe market, examine the negative effects caused by risks faced small and micro enterprises, investigate how small and micro enterprises can mitigate risk in their daily activities and identify the advantages of taking risk management in small and micro enterprises.

4.1 Data Presentation and Analysis

The sample size from different departments was 65 respondents representing the population used for this study. Only 2 respondents did not return the questionnaire.

Table 4 .1: Distribution of questionnaires to the respondents.

Questionnaires	Number	Percentages (%)
Returned	63	97 %
Not Returned	2	3 %
Total Questionnaires Distributed	65	100%

Source: Research Data 2014

4.2 Demographic Characteristics of the Respondents

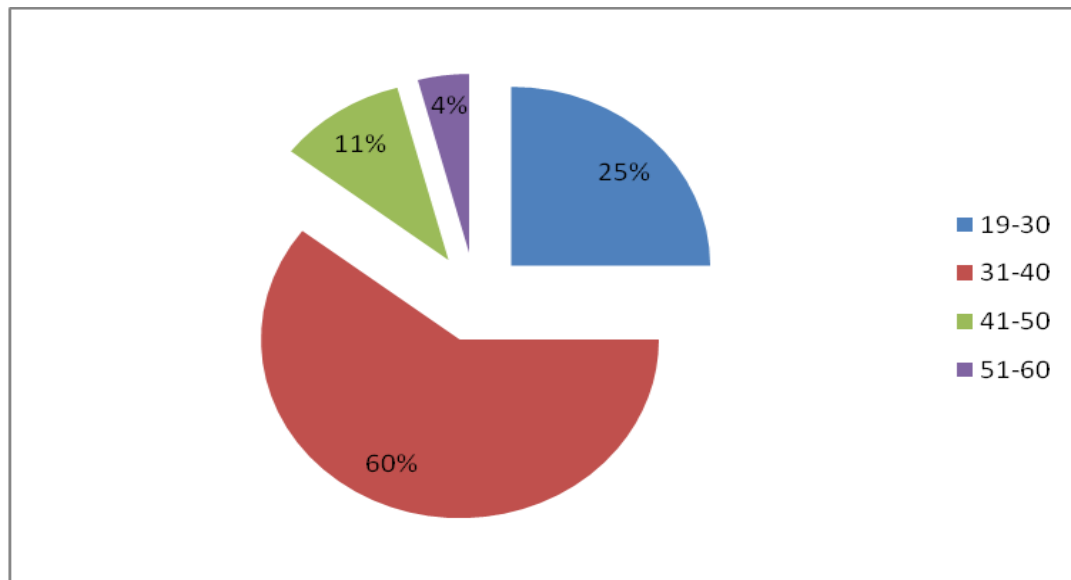
The demography shows the factual phenomena of the information study, and its validity and reliability of information. Demographic information provides data onto research

participants and is necessary for the determination of whether the individuals in particular study are a representative sample of the target population for generalization purposes (salkind, 2010). It mainly focused on the age, sex, marital status, educational background as well as occupation of the respondents and others which concerning the risk management in small and micro enterprises at Zanzibar.

4.2.1 Age of the Respondents

The children bellow fifteen (15) years in age and adult over seventy years are no longer considered due to their unreliable information/data which they responded during the study. Age –sex composition is an important phenomenon in the demographic studies because they determine most socio – economic activities of the society, (Riyaza, 2010). The general result from presented in Table 2) show that 25 % of the respondents is of the between 19 and 30 years; 60.4 % between 31 and 40 years; 10.4% between 41 and 50 years and 4.2% are aged between 51-60 years. This indicates that high number of operators of small and micro enterprise is aged between 31-40. This suggests that the active and economic age participants are more likely to be risk takers.

Figure 4:1 Age of the Respondents

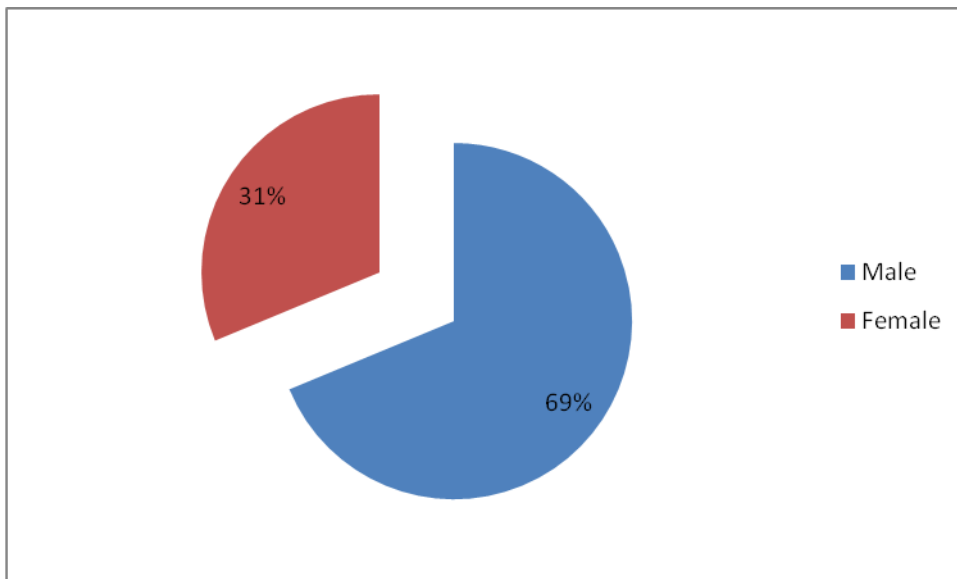


Source: field data and researcher calculation 2014

4.2.2 Genders of the Respondent

In this study, the majority (68.8%) of the respondents was female while the male constituted 31.2% as presented in Table 3. This shows that the operators of small and micro enterprises at the market majority are male compared to female, this can be contributed male being able to own more resources than females' counterparts. Also, the female has more the family binding commitments than male counterparts.

Figure 4.2 Genders of the Respondent

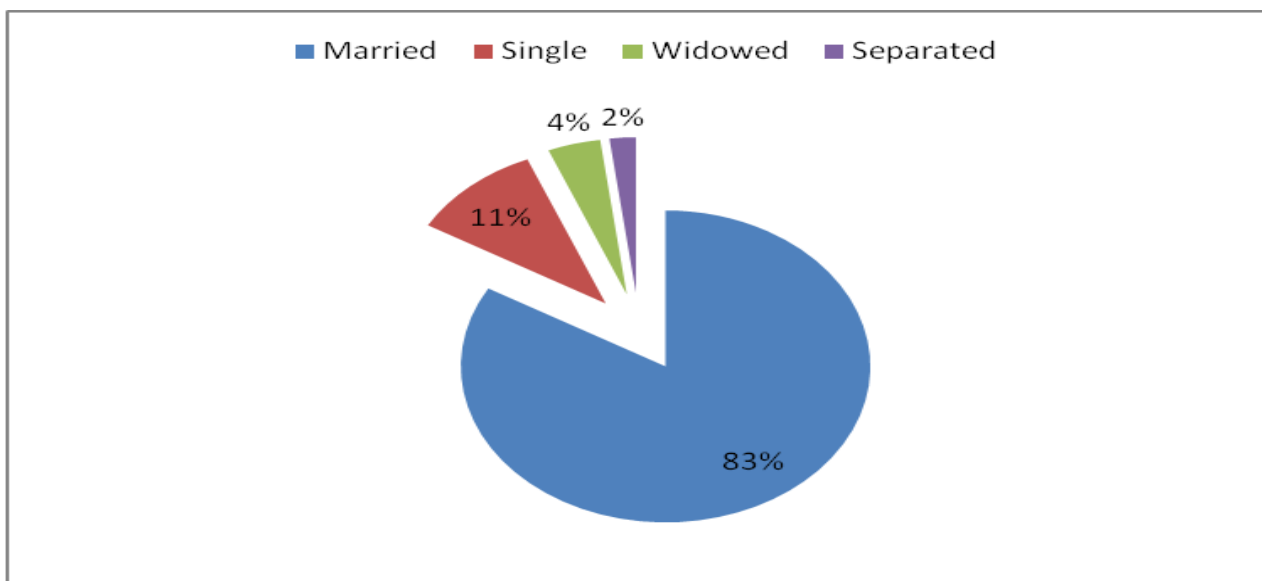


Source: field data and researcher calculation 2014

4.2.3 Marital Status of the Respondents

The findings on Table 4 show that marital statuses of the respondents are married 40/48 (83.3%), single 5/48(10.4%), widowed 2/48 (4.2%) and separated 1/48 (2.1%). This show that majority of business operators is married compared to other group, this is because married respondents have responsibility and duties to take care for the family matters like food ,shelter, education and health care of family members.

Figure: 4.3 marital statuses of the respondents

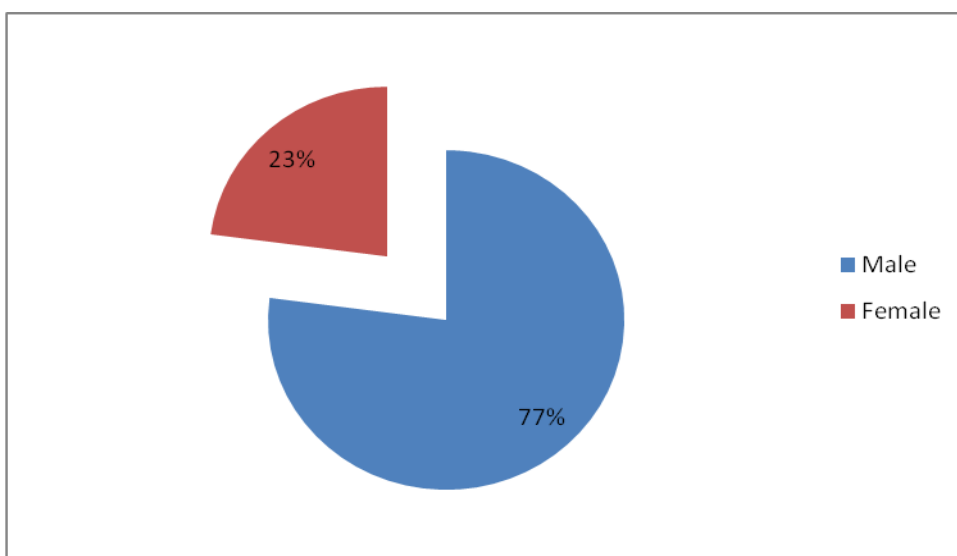


Source: Field data and researcher calculation 2014

4.3 Household head of the Respondents

The findings on table 5 shows that household heads is (37 /48) 77.1% and (11/48) 22.9% are male and female respectively.

Figure: 4.4 Household of the respondents



Source: Field data 2014

Household size is ranged from 1-4 (21/48) = (43.3%), 5-8 (16/48) = (33.3%) and 9-12(9/48) = (18.8%). This shows that the number of males is high compared female who operates small and micro enterprises at Mwanakwerekwe market.

Table 4.2: Household size of the Respondents

Household size	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1-4	21	43.8	43.8	43.8
5-8	16	33.3	33.3	77.1
9-12	9	18.8	18.8	95.8
<12	2	4.2	4.2	100.0
Total	48	100.0	100.0	

Source: Field data and researcher calculation 2014

4.4 Business income level per month

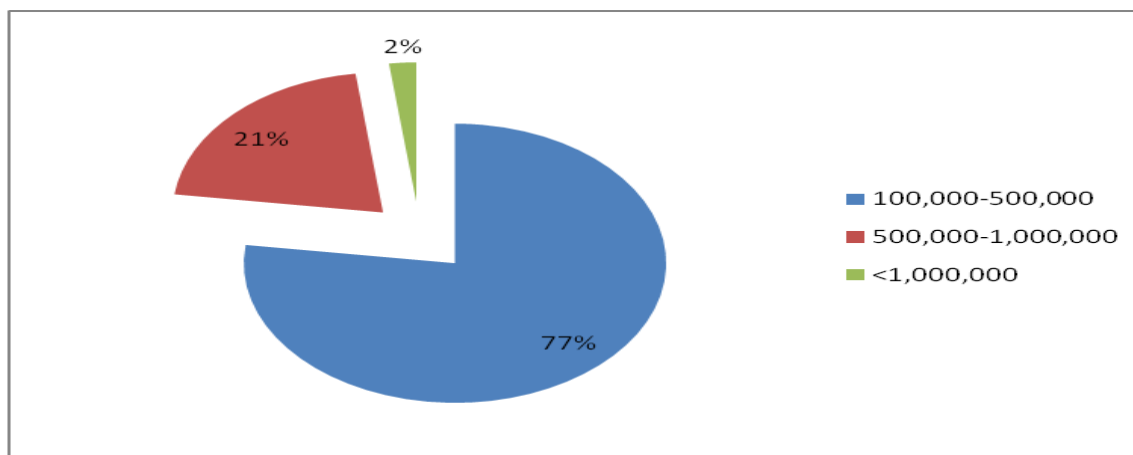
The general result as presented in table 4 show that , 77.1% of the respondents are of the between the (100,000 and 500,000) business income per monthly; 20.8% between (500,000 and 1,000,000) business income per monthly and 2.1% greater than (1,000,000) business income per monthly, this represent low money circulation on day to day activities in business due to the lower purchase power for customers lead to reduced demand for goods and services in market also provided to decrease the price goods and services to increase the cost in a business reduce capitals and profits of owners enterprises result the owner to take lower quality of goods and services caused to increase business risks on day to day activities.

Table 4. 3: Business income level per month

	Business of income	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	100,000-500,000	37	77.1	77.1	77.1
	500,000-1,000,000	10	20.8	20.8	97.9
	<1,000,000	1	2.1	2.1	100.0
	Total	48	100.0	100.0	

Source: Field data and researcher calculation 2014

Figure 4.5: business income level per month

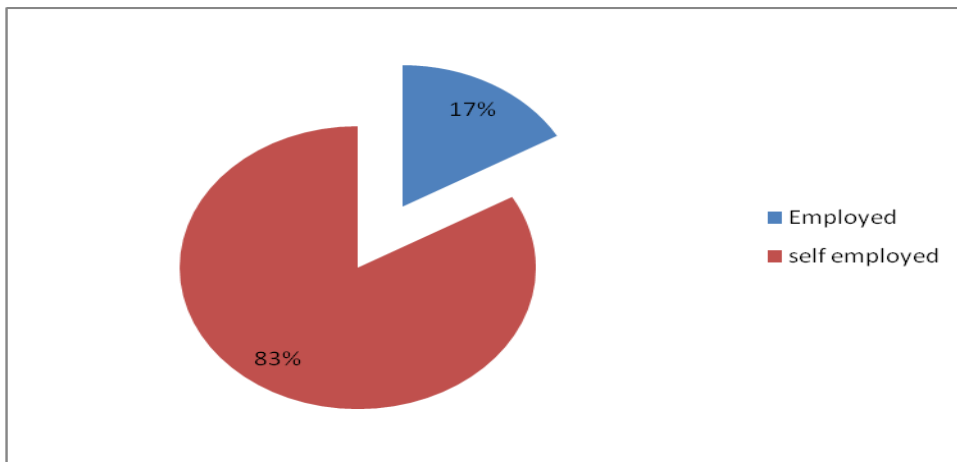


Source: field data and researcher calculation 2014

4.5 Occupation of the Respondents

Occupations of respondents are self- employed 40 /48 (83.3%) and employed 8/48 (16.7%). This situation was caused by the shortage of employment opportunity in government and private sectors in the country and also low level of education influenced many people to be self-employed due to them being risk takers. Youth unemployment is therefore an important dimension and a big challenge that Zanzibar faces. With a relative economic growth rate, the demand for labour is still low resulting in high unemployment level.

Figure: 4.5 Occupations of the Respondents



Source: field data and researcher calculation 2014

4.6 Qualification and education level of respondents

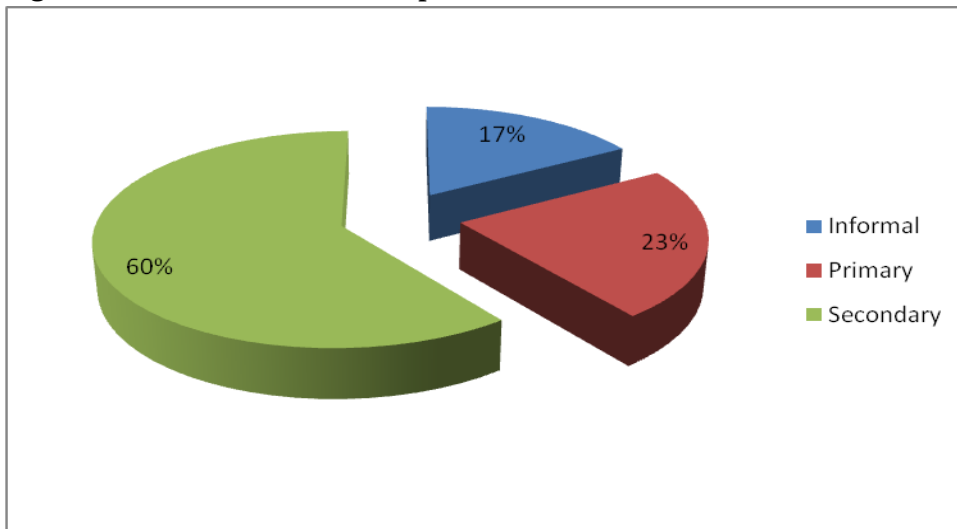
The study wanted to show the professional capability in exercising key players of market as well as owner of small and micro enterprises. The study takes into consideration the educational and other backgrounds among the respondents in order to see whether they have any influenced of risk enterprises, poor knowledge of business lead risk in business activities for the owners of enterprises at the market.

Table:9 businessman education level

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Informal	8	16.7	16.7	16.7
	Primary	11	22.9	22.9	39.6
	Secondary	29	60.4	60.4	100.0
	Total	48	100.0	100.0	

Source: field data 2014

Figure: 4.6 Education level of respondent in SMs in market



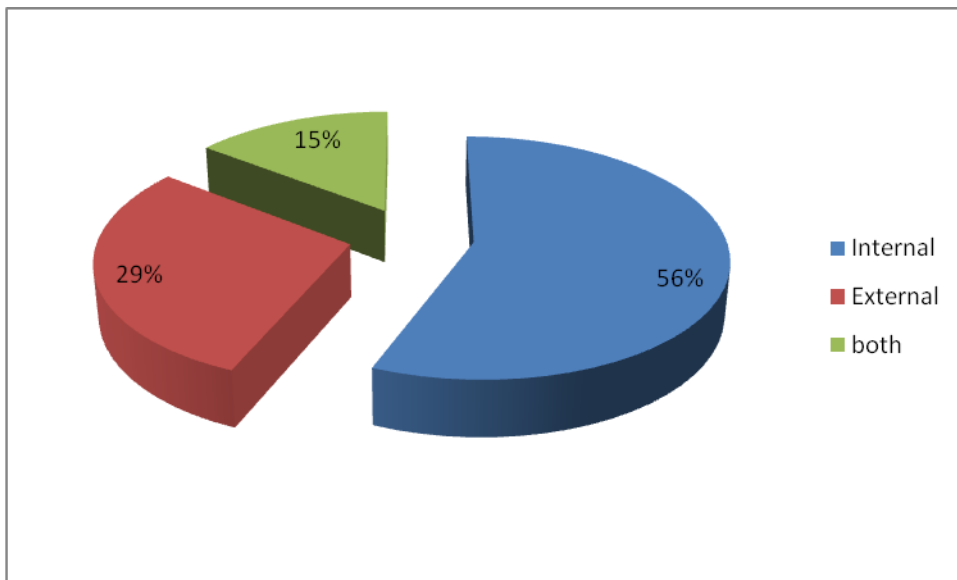
Source: field data and researcher calculation 2014

About 1/15 (7%) of the interviewed respondents did not go to school and 6/15 (40%) had some basic primary education and secondary 8/15 (53%) education, further more have not got the certificate, for diploma, degree and master. The study indicated that, lack of knowledge for some of key players have no academic qualification. They perform their work through experience of long service, therefore to some extent this may lead to taken risk in small and micro enterprises. The study found out that there is no job rotation of the key player of the market. This situation hinders the transfer of knowledge from one person to another. This also brings limited knowledge to the key player.

4.7 Sources of Risks of Mwanakwerekwe Market

Results from Table 10 show that 56.35% of risks that traders at Mwanakwerekwe are from internal sources, while 29.2% come from external sources and remaining 14.9% are caused by both internal and external factors. This implies that more risks from within the market than from outside the market. This implies that most of these risks can be controlled by the operators of the market.

Figure: 4.7 Source of risks in Mwanakwerekwe market



Source: field data and researcher calculation 2014,

From the table 11, the study results showed that, 81.2% of the respondents said that sources of risks is fire outbreak while 70.8% said it is poor government support, and 52.1% said is bad environment, and remaining 41.7% said is low knowledge and 33.3% of respondents said that sources of risk is unrecorded keeping. The main sources of the risks that cause the damage in the market are fire outbreak, poor government support, bad environment and low knowledge and poor security, record keeping, electrical cut off, respectively. Due to the above findings the main source of risk that occurred in the market is fire outbreaks, and this was caused by electrical

cuts, cooking in the market and combustion in the market as show figure 4 .8 below due to occurrences of negative events that affect small and micro enterprises at Mwanakwerekwe market. For example the fire outbreak occurred which caused the losses of two billion of Tanzania shillings, this led many people to lose their properties and shift at Darajani area to conduct their businesses activities.

Figure 4.8 Fire outbreak at Mwanakwerekwe Market



Source: field data 2014

Another issue which the respondents give out, during the study was poor government support whereby the majority (70.8%) of respondents claimed on government. They replied that, government have not enough infrastructure because when damage of fire occurred, within the market and people asked for fire extinguishers the responses of the government was normally in delaying to reach the place of events which lead the owners of enterprise or peoples to extinguish fire by using local tool stimulated to lead the loss of assets. Also 41.7% poor knowledge of business led risk in business activities for the owners of enterprises on the market, this is because many business operators were not using nor had no knowledge in book keeping result of loss assets, reduced the revenue or bankrupt . Another main source was bad environment 52.1% of respondents indicated that bad environments in the market on business because government has not modern

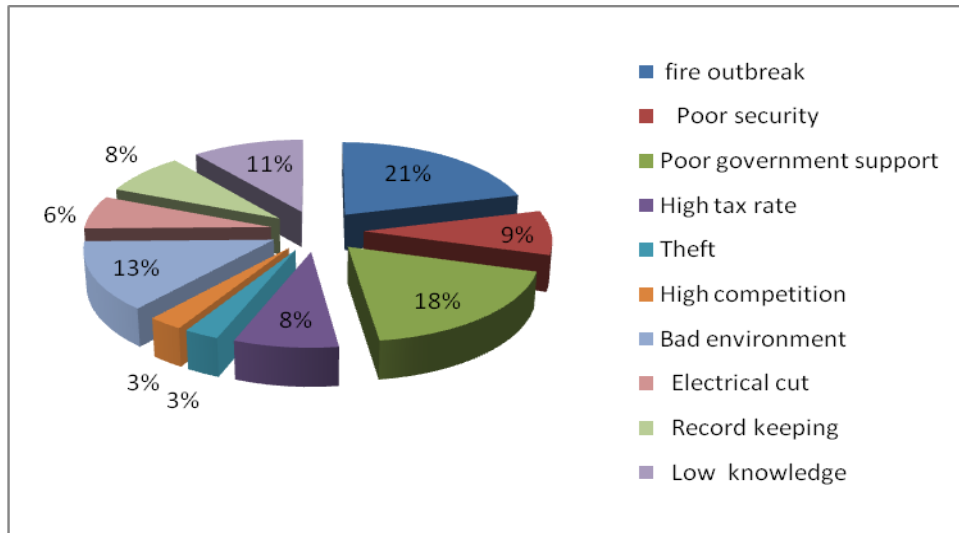
business build to be more attractive to internal and external investors and given opportunities for internal and external enterprises to building business builds so as enterprisers are not enough wealth's to building modern business builds but it building local buildings which lead poor security and fire planned causes the risk in business activities for owners of enterprises at the markets . For example during heavy rainfall and summer many business operators failed to conduct business effectively especially for the business conducted in open area as show in figure 4.9 below.

Figure: 4.9 Open areas for business at Mwanakwerekwe market



Source: field data 2014

Figure: 4.10 Sources of risk in SMEs at Mwanakwerekwe market



Source: field data and research calculation 2014

4.8 Negative Effects Faced Small and Micro Enterprises at Mwanakwerekwe Market

The findings on table 12 show that majority of enterprisers incurred risks in business activities due to the above findings the main source of risk that utilize in the market is fire outbreak causes negative effects in small and micro enterprises, also negative effect influence with the high tax rate, high interest rate on loan and high payment rent on business builds lead to increases cost in a business result low profits or total loss.

Table: 4.4 Negative Effects Faced Small and Micro Enterprises at Mwanakwerekwe Market

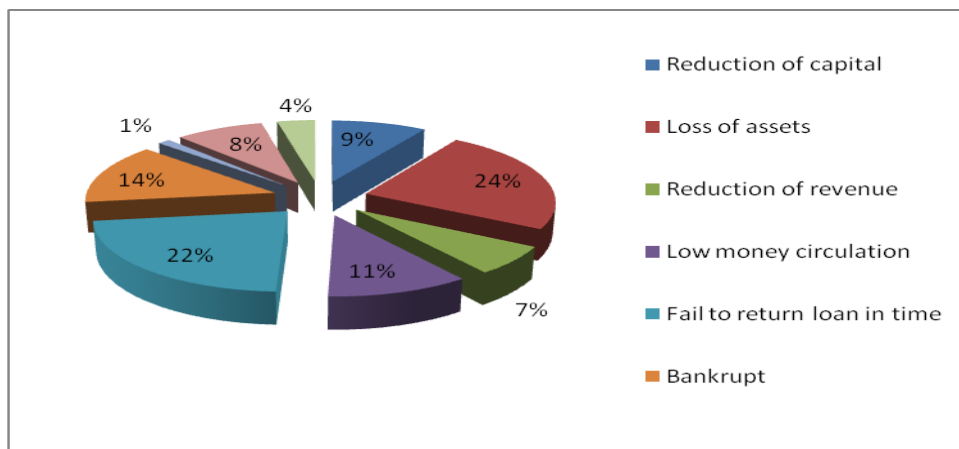
Negative effects		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	36	75	75	75
	No	12	25.0	25	100.0
Total		48	100.0		

Source: field data and researcher calculation 2014

4.8.1 Negative Effects Faced Small and Micro Enterprises at Mwanakwerekwe Market.

The findings on Table 13 show the negative effects caused by the risks at Mwanakwerekwe market are failing to return the loan in time(77%), loss of assets (83.3%). bankrupt(47.9%) , reduction of capital 31.2%) ,low money circulation (37.5%), reduction of revenue (22.9%) . According to this finding, the main source of risking on the market was occurrences of fire which were caused by electrical cuts and cooking activities in the market that contributed damages of properties. For example many business operators took loan from bank and from Saccoss, but after occurrences of fire in the market, many business operators failed to return their loan. And the costs incurred of this fire outbreak were cost of finding new areas on business and starting capital of business. Also 47.9%of respondents show that, Bankrupt caused by poor government support, bad environment, record keeping and low knowledge due to the main enterprisers are not separate capital of business and pocket money for special uses basic need for day to day activities lead to reduced capital, reduced revenue until to be bankrupt (closed the door of business) it means that personal transactions of owners are treated separately from those of the business.

Figure: 4.11 Negative Effects Faced Small and Micro Enterprises at Mwanakwerekwe Market

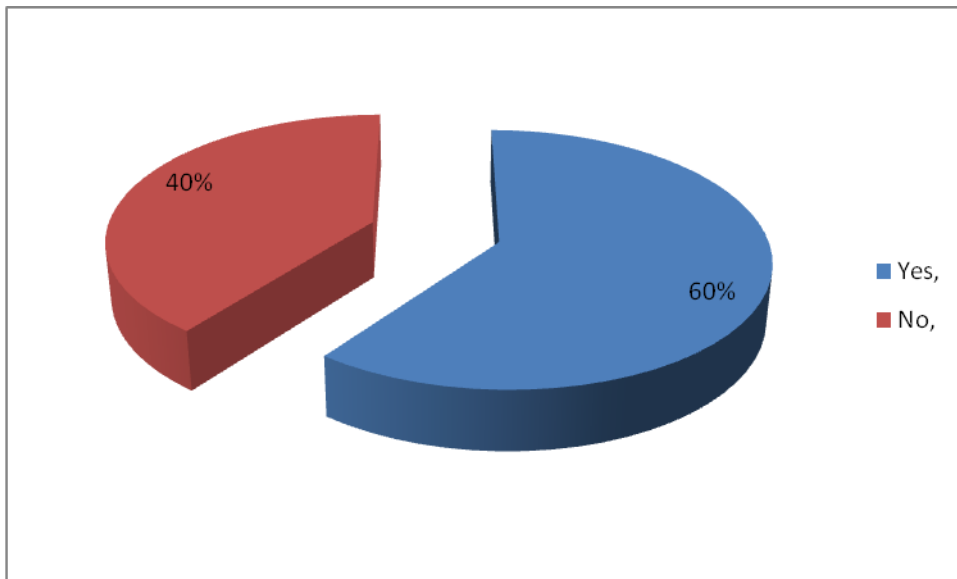


Source: field data and researcher calculation2014

4.9 Mitigation of risk in small and micro enterprises of Mwanakwerekwe market

Table 14 shows that 60% of informants taken measures to reduce or address risks in small and micro enterprises others are not take action to address risk due to the lower knowledge of risk management.

Figure: 4.12 respondents taken measure to reduce or address risk in small and micro enterprises,



Source: Field data and researcher calculation 2014

4.9.1 Method taken for managing risk of SMEs

The majority of respondents 89.1% avoided using insurance policy because main respondents have bad concepts to the insurance likely to increase cost of businesses which are not truthfully; insurance policy this helped to cover the cost incurred likely to the caused by fire outbreak, thief, loss of assets and others risk in business

Table: 4.5 Methods of managing risks in small and micro enterprises SMEs

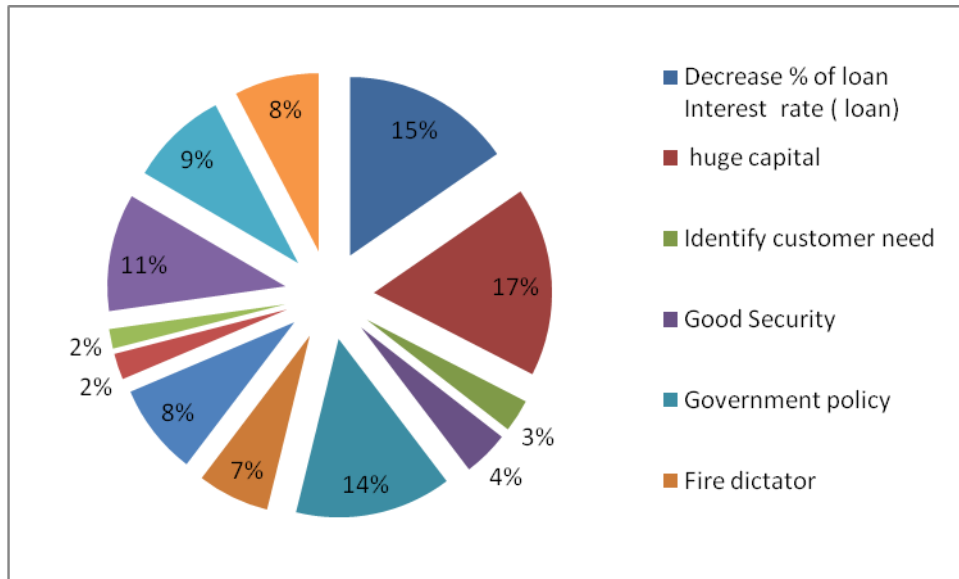
Managing risk		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Avoid	17	35.4	36.2	36.2
	reduce	20	41.7	42.6	78.8
	transfer	6	12.5	12.8	91.5
	combined method	5	10.4	10.4	100.0
Total		48	100.0		

Source: field data 2014,

Table 16 shows the measures that can be used to address risks in small and micro enterprises are huge capital (60.4%), Government police (50%), and Entrepreneur training (37%), avoid cooking in the market (29.2%), decrease percent of interest rate (54.2%) and good infrastructure (25%), good management in the market (31.2%). Due to the number of risks occurred in the market like fire outbreak, electrical cut, poor government support and security, bad business environment and negative effective caused by those risks like loss of assets, fail to return loan in time, bankrupt and reduction of capital the main measures that used to reduce those risks were to decrease of interest rate(loan) lead the enterprisers to be attractive to take loan from bank or Saccoss, to increase business capital result to expand or introduce new products or business at difference place or market lead to diversify risk at large amount.

And also proper Government policy and security in the market could influence avoidance of risks in the market. For example when government decide to building modern business builds reduce fire outbreak because building modern builds for emphasis fire plan, fire dictator and fire extinguish, modern tools for cleanness, Youths employment which were qualify, competence and gives training for works lead to be more effectively, efficiently and economic to achieve the goals and objectives for both SMEs as well as country.

Figure: 4.13 Measures of Risk can be used to Address Risks in Mwanakwerekwe Market



Source: Field data's and researcher calculation 2014

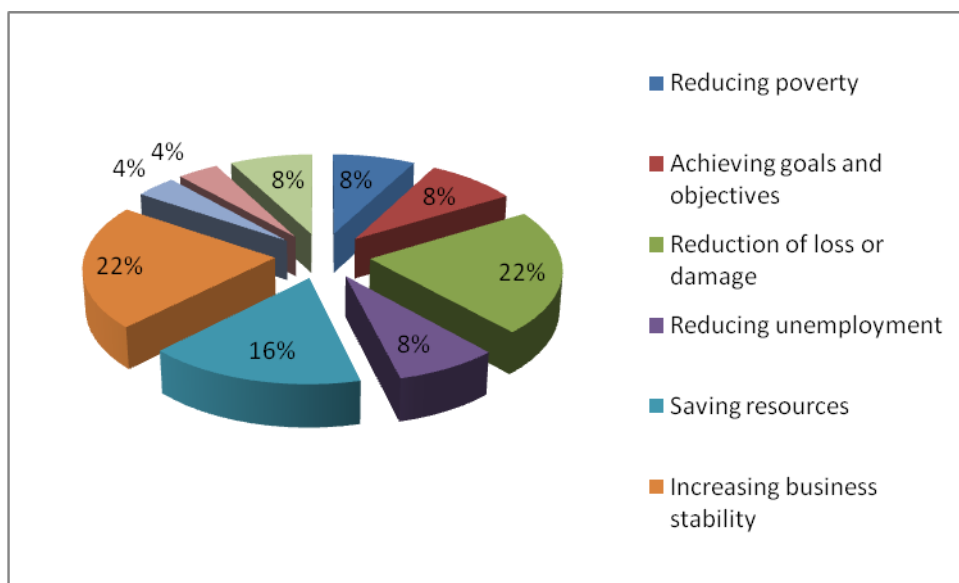
Risk mitigation strategies among SMEs were a key focus on this study; but majority of enterprisers that applied other strategies; registration, and insurance policy has low level of use most of the SMEs. SMEs have difficulty understanding business insurance and what risks their policy covers them against. Due to the lack of knowledge about insurance is disturbing and it appears business people under-value insurance. Risk management is less well developed within smaller entities where the strong enterprise culture mitigates against managing risks of a professional structured way. These findings therefore supported a study by Smit and Watkin (2012) which reported low level of the use of insurance among SMEs in S. Africa.

4.10 Benefits of managing risk in small and micro enterprise SMEs

Accordingly Table 17 shows the benefits of managing risks in small and micro enterprises are 43.8% saving resources, 58.3% increase stability and reduce unemployment 20.8%, reduce poverty 20.8%, and 58.3% reduce damages, 22.9 % achieving goal and objectives of SMEs, 20.8% protect environment, 10.4% protect legal

liabilities and 10.4% protect reputation . Due to the number of risks occurred in the market like fire outbreak, electrical cut, poor government support and security, bad business environment and negative effective caused by those risks like loss of assets, fail to return loan in time, bankrupt and reduction of capital the main measures that used to reduce those risks were to decrease % of loan interest rate lead the owner of business to be attractive to take loan from bank or Saccoss to increase business capital result to expand or introduce new products or business at difference place or market lead to diversify risk that encourage the owner of enterprises to invest huge capital to improve the business and achieves the goal and objectives SMEs which also benefit to the societies as well as government for increases rate of economic growth that contribute with the SMEs and reduce the rate of unemployment with simultaneously to eradicate the rate of poverty in Zanzibar.

Figure: 4.14 benefits of managing risk in small and micro enterprise SMEs



Source: field of data and researcher calculation 2014

On other hand interview show that 9/15(60%) lack of resources for doing works, 11/15(73%) social conflicts (no good relationship between key players and owners \of enterprises) ,cooking food in market and 5/15(33%) rent builds payment (during the collection rent builds payment from the owner enterprises which are made very

difficultly for key players on market) are the sources of risk in market which influenced negative effects in market likely to 9/15(60%) reduced economic growth rate contribute SMEs in the government also negative effect from the bad relationship between the key players and owner enterprises caused the ineffectiveness and inefficiently on work as well as 6/15(40%) no achieved the goals and objectives for both owner of enterprises, market and key players.

Another negative effect from the key players in the market influencing on lack of resources provided 8/15 (53%) dirty environments caused eruption disease in the market like diarrhea are damages for society as well as country.

The study found that, measures which taken to address risk in market are 12/15(80%) enough resources for doing works, 6/15(40%) good management,9/15(60%) good fire plan and 5/15(33%) good infrastructure,10/15(67%) good relation, 6/15(40%) and workers training, restriction for cooking in the market, good policy for collection rent payment for business builds these measures when implements and monitored become more effectiveness and efficiency as well as to achieve goals and objectives for both owner of enterprises ,key players and market for increases economic growth of the country, reduce unemployment rate and to eradicate absolute poverty in Zanzibar by the 2020 as vision of SMEs also there must be fire detectors; this will help to control fire.

The study also finding that, the markets are not sufficient for goods and services depending the products from mainland such as rice, tomatoes, potatoes and others products. During the rainfall season the goods are not enough because the goods from mainland are difficult to enter in Market because the transport from regions are very poor lead the activities for day to day reduce as well as the reduction of revenues in market for that events are risk in business as well as market.

One among key players said that “during the rainfall season the revenue collection are reducing because the main products come from mainland are not enter because the transport are very difficult during the rainfall season because some bridges and road are broken the transports of goods and services from one region to another region to stop

lead to collect of revenue to be 27million per month instead of 33million those are risk in government.

The figure 4. 15 researcher observed that, the business activities are stopped because the products from mainland such as tomatoes, potatoes, anions and others are not enter.

Figure 4.15 Business activities during rainfall season



Source: Field of Data and Researcher Calculation 2014

The study observed that, during the heavy rainfall the areas of market environment becoming very dirty course the main cleaner's workers are adult and they have no ability to do works effectively because of the shortage of the modern tool of work, during the rainfall wastage become heavier lead to failure to remove wastage influence to get eruption disease at the market place as well as customer to discourage to make consumption goods that lead some goods to destroy that event are risks in business. The figure 4.16 below the researcher observed that dirty environment during the rainfall season and local tool used for cleanliness heavier wastage which are difficult to cleanliness effectively and efficiently as a show in a figures 4. 16.

Figure: 4. 16 Dirty environment and local tools for cleanness:



Source: Field data 2014,

The study also observed that electricity cutoff coursed the sold fish, sold meat, apples and fruits to risk in their business because they have no other method to used for make conservation or prevent the fish, meat and fruits not to be destroyed. Good example the Zanzibar Island has the shortage of electric power for three months, the businessmen stopped business activity this became for the Government has no other alternative to help businessman.

CHAPTER FIVE

SUMMARY, CONCLUSION AND POLICY IMPLEMENTATION

5.0 Introduction

This chapter gives the summary of the study. It started with the summary of the findings focus on the investigation of risk management in small and micro enterprises in Zanzibar. It next shows the identification of the sources of risk in small and micro enterprises. Also it examined the effects of risk in small and micro enterprises furthermore, investigated how small and micro enterprises can mitigate risk in their daily activities. Finally identified the advantages of taking risk management in small and micro enterprises.

The qualitative and quantitative method were employed to gather information from different respondents including : small and micro enterprises (owners of shops, printing, barber shop, rice millers, patent medicine stores, hotels, and computer services) at Mwanakwerekwe market and key players of small and micro business at Mwanakwerekwe market like leaders of the market who are responsible for SMEs. The findings based objective one show that sources were fire outbreaks, record keeping, electrical cut and bad environment, poor government support and security in the market, theft and low knowledge in business operation. Therefore, it is concluded that fire outbreak and electrical cut off are the main source of risk.

Also, based on objective two findings indicated that failure to return loan in time, bankrupt, low money circulation, and reduction of revenue and loss of asset, it is concluded that negative effects are within their control. Another specific objective was to investigate how small enterprises can mitigate risk in their daily activities the responses were enough resources, good business environment, security in the market, proper government policies, avoid cooking in the market and entrepreneur knowledge. Also the study used descriptive research questions, in which the researcher described

and explained conditions of risk management by using questionnaires to fully describe risk faced small and micro enterprises at mwanakwerekwe market.

The qualitative and quantitative methods were employed to gather information from different respondents including owners of small and micro enterprises and key player of market from Mwanakwerekwe market.

5.1 Summary of the study

Risk is a necessary part of any business, and risks can arise from a number of sources. While risk is essentially unavoidable, it is certainly possible to manage the risks that business face. Understanding the types of risk of business faces is important because it can help the owners of enterprises to determine and how to protect their business investment. Therefore, managing the risk to minimize the loss exposures today becomes the essential issues for every micro enterprise. But due to the shortage of time and money the researcher was conducted the study on dealing with one type of enterprise which is micro enterprises which was help the researcher to accomplish the study in timely .This study was conducted in Zanzibar city especially at Mwanakwerekwe market.

5.1.1 Source of risks in Mwanakwerekwe market

The main source of risk that cause the damage in the market are fire outbreak due to occurrences of fire outbreak which were caused by electrical cut, combustion and cooking activities that contributed damages of properties. For example many business operators took loan from bank and from Saccoss, but after occurrences of fire in the market, many business operators failed to return their loan. In order to avoid the sources of risks, key players in the market should restrict all cooking activities and also stop all activities the cause fire in market like combustion of dust near to market. Another main source was poor government support on infrastructure because during the damage there is delaying of the government extinguisher within the market to reach the place of events which lead the owners of enterprise or peoples to extinguish fire by using local tools for prevent their assets. Poor knowledge of business is also led the risk in business

activities for the owners of enterprises at the market, this is because many business operators were not using nor had no knowledge in book keeping result of loss assets, reduced the revenue or bankrupt.

And also bad environments on the market for business because government has not modern business builds to be more attractive to internal and external investors and given opportunities for internal and external enterprises to building business builds so as enterprises are not enough wealth's to building modern business builds but it building local building lead to poor security and fire planned causes the risk in business activities for owners of enterprises at the markets . For example during heavy rainfall many business operators failed to conduct business effectively especially for the business conducted in open the area.

5.1.2 Negative Effects Faced Small and Micro Enterprises at Mwanakwerekwe Market.

The negative effects caused by the risks, from the finding are failed to return loan in time. According to this finding, the main source of risking on the market was occurrences of fire which were caused by electrical cut and cooking activities in the market that contributed damages of properties. For example many business operators took loan from bank and from Saccoss, but after occurrences of fire in the market, many business operators failed to return their loan. And the costs incurred of this fire outbreak were cost of finding new area for business and starting capital of business. Bankrupt caused by poor government support is also the failure of the returning of the loan on time, bad environment, record keeping and low knowledge due to the main enterprisers are not separate capital of business and pocket money for special uses basic need for day to day activities lead to reduced capital, reduced revenue until to be bankrupt (closed the door of business) it means that personal transactions of owners are treated separately for those of the business.

5.1.3 Mitigation of risk in small and micro enterprises in Mwanakwerekwe market

The study show that, the measures that can be used to address risks in small and micro enterprises are huge capital, good government policy, and entrepreneur training, fire

dictator and avoid cooking in the market, decrease percent of interest rate and good infrastructure and finalized with good management in the market. Due to the number of risks occurred in the market which caused by those risks like loss of assets, fail to return loan in time, bankrupt and reduction of capital the main measures that used to reduce those risks were to decrease of interest rate (loan) which lead the enterprisers to be attractive to take loan from bank or Saccoss. To increase business capital which result the expansion or introduction of new products or business at difference place or market lead to diversify risk at large amount. Avoiding to use insurance policy because of the bad concept to the insurance likely to increase cost in a business which are not truthfully. SMEs have difficulty understanding business insurance and what risks their policy covers them against. Due to the lack of knowledge about insurance is disturbing and it appears business people under-value insurance. And also proper Government policy and security in the market could influence avoidance of risks in the market. The insurance policy helped to cover the cost incurred likely fire outbreak and thief. Risk mitigation strategies among SMEs were a key focus of this study.

5.1.4 Benefits of managing risk in small and micro enterprise SMEs

The study showed that, the benefits of managing risks in small and micro enterprises are saving resources, increase stability and reduce unemployment, reduce poverty and reduce damages; achieving goal and objectives of SMEs, protect environment and reducing legal liabilities and protection of reputation. Due to the number of risks occurred in the market associated by poor government support and security, bad business environment and negative effective, the main measures that used to reduce those risks were to decrease percent of interest rate which lead the owners of business to be attractive to take loan from bank or Saccoss in order to increase business capital and result to expand or introduce new products or business at difference place or market which lead to diversify risk that encourage the owner of enterprises. To invest huge capital and improve the business with achieve the goals and objectives of SMEs also benefited the societies as well as government for increases rate of economic

growth that contribute the SMEs and reduce the rate of unemployment which simultaneously eradicate the rate of poverty in Zanzibar .

The study show that, lack of resources for doing works, social conflicts (no good relationship between key players and owners of enterprises) ,cooking food in market and rent builds payment (during the collection rent builds payment from the owner enterprises which are made very difficultly for key players on market) are the sources of risk in market which influenced negative effects in market likely to reduced economic growth rate to contribute SMEs in the government. This issue caused the ineffectiveness and inefficiently on work as well as no achieved the goals and objectives for both owner of enterprises, market and key players.

Another negative effect on the key players in the market is lack of resources provided dirty environments caused eruption of disease in the market like diarrhea which damages the society as well as country. The study showed that , measures taken to address risk in market are finding of enough resources for doing works, good management, good fire plan and good infrastructure, good relation, good policy in collecting rent payment for business buildings, these measures when well implements and monitored become effectiveness and efficiency as well as to achieve goals and objectives for both owner of enterprises ,key players and market for increases economic growth of the country, reduce unemployment rate and to eradicate poverty in Zanzibar by the 2020 as vision of SMEs.

5.2 Conclusion

The general objective of this study was to investigate risk management in small and micro enterprises at Mwanakwerekwe market and specific objectives of the study were to (i) identify the sources of risk in small enterprises (ii) examine negative the effects of risk in small enterprises, and (iii) investigate how small enterprises can mitigate risk in their daily activities. The findings based objective one show that sources were fire outbreak, record keeping, electrical cut and bad environment, poor security in the market, theft and low knowledge in business operation. Therefore, it is concluded that fire outbreak, electrical cut off and lack of resources, collected rents of builds are the main source of risk.

Also, based on objective two findings indicated that failure to return loan in time, bankrupt, low money circulation, and reduction of revenue, reduce economic growth, bad relationship and loss of asset, it is concluded that negative effects are within their control. And last specific objectives was to investigate how small enterprises can mitigate risk in their daily activities the responses were to decreases of interest rate (loan), good business environment, proper government policies, and security in the market; avoid cooking in the market, enough resource, and entrepreneur knowledge, good relationship and good policy collected rents,. Also the study used descriptive research questions, in which the researcher described and explained conditions of risk management by using questionnaires to fully describe risk faced small and micro enterprises at Mwanakwerekwe market.

- Lack of resources provided dirty environments caused eruption disease in the market like diarrhea are damages for society as well as country, measures taken to address risk in market to finding enough resources for doing works, good management, good fire plan and good infrastructure, good relation, good policy for collection rent payment for business builds these measures when implements and monitored become more effectiveness and efficiency as well as to achieve goals and objectives for both owner of enterprises, key players and market for

increases economic growth of the country, reduce unemployment rate and to eradicate solute poverty in Zanzibar.

- Lack of proper training among employees and managers of SMEs could be the main contributor risks on day to day activities in business.

5.3 Recommendation and policy implementation

The study recommends that, risk management is important in business operation. Risk Management is the measure of business either in going to success or fail and also by taking risk management in business help to know the whole environment in which the business will operate. If the business will survive or die by observing the profit or loss, this will be determined by which risks the business will face. Therefore, the following are recommendations based on the key players in the market like business operators, market authority, customers and local government need to be considered in the market for the business owner.

5.3.1 Policy recommendations

In order to avoid the risk of a small and micro enterprises, the government must select peoples who are willing to manage also had competent knowledge and experiences about the risk management (good management). The Management should directly be responsible for the regular supervision of day-to-day activities in the market. If the Board is effective, the time of authority will be more from top to bottom and hence the accountability of top Management will be more effective. The effectiveness of top Management will mean better performances of day after day activities

The government makes sure that, the risk management policies within the small and micro enterprises are implemented and monitored to be effectiveness and efficiencies for risk management programs (Risk management according to Raghavan (2005) is an ongoing process targeted to enhance operation, practices, resource allocation, ensure compliances to established rules, achieve performance goals, improve financial health and prevent damage to the firm. In general the strategies employed include transferring the risk of another party, avoiding the risk, reducing the negative effect of the risk, and accepting some or all of the consequences of a particular risk) such as:

- i. To educate top level executives in regard to the risk management process
- ii. Provide the standard for judging the risk management performance,
- iii. Training new employees who were participating in the programs,
- iv. Gives risk manager greater authority on the firm, and
- v. Use the resource economics, effectively and efficiently to be sustainably developed and achieve the goals and objectives (values for money).

The Government to create conducive micro economic environment that will allow SMEs to emerge survives and grows. In addition, the government has the responsibility for putting in place the requisite infrastructural facilities which will provide a basic support for the growth of the sector. There is a need to develop entrepreneurship through education and training and fostering proactive entrepreneurship attitude within the civil service and local government service.

The Government will take measures that will reduce the risks and transaction costs of lending to increase competition in the financial sector and strengthen the capabilities to.

The government will provide seed capital and other financial resources for SMEs. Local government authorities will allocate and develop areas for use of SMEs. Also government has take measures to reduce or to avoid risk for building modern business builds good fire planned (easily for make fire extinguish when occur fire outbreak in market).also the Government to look into alternative materials to deal with the cutoff arbitrary electric and to find modern tools and employed new generation.

5.3.2 Recommendations based on the key players in the market.

In order to avoid the sources of risks for good business, key players in the market should focus on business operators and market authority. They should restrict all cooking activities in the market because this is the source of fire in the market; according to the findings of this study fire outbreak was the main source of risk for business operators. And also market players should stop all activities the cause fire in market like combustion of dust near to the market.

From the Information obtained, it shows that, most of the staffs in that section have either low- standard academic knowledge or no academic knowledge at all: some have acquired their working skills through in service “apprenticeship” and are therefore working by using their long service experience. According to Smit and Watkins (2012), failure of SMEs can be attributed to lack of management skills; risk management is one of such skills.

Lack of job rotation most of the referred staff has limited knowledge in limited the area. Ultimately the findings was designed to equip market management with necessary knowledge regarding the risk management (job rotation to be transfer know ledges, skill for workers.)

5.3.3 Recommendation for small and micro enterprisers

Also the study recommends that, in order to reduce negative effects in the market, business owners should use insurance policy in business. This will help proper security of business and ensure survival of business; this is because insurance policies help to cover cost that may incur in business operation like fire, loss of assets and thief, Study done by Viridi (2005) reported on the attitude to risk indicated that vast majority of businesses (86%) do not believe that adequate insurance for major risks prevents the necessity of regularly raising the issue of risks.

Another recommendation, the business operator should use the book keeping in transactions. This book keeping will help to have various records of the operations; this will lead to know whether the business is operating in profit or losses.

Proper security should be encouraged; this can be established by using social security in market that will help to reduce theft of properties in the market. And also, good business environment should be promoted to the market such as having dust bins in the market in order to keep market clean and avoid eruption disease in the market like diarrhea, and also there must be fire detection; this will help to control fire.

5.3.4 Recommendations for customers

The customers to avoid bias during the purchasing goods and service for making selection of sellers accordingly to the races, color and religion or politics matter lead to

backup some sellers but customer have right to make selection for goods and service accordingly to needs such as qualities, quantities and prices, clean for the goods and services.

5.4 Area for the Further Research

More research could be carried out for identifying why insurance became the least applied strategy among SMES. Also, the study will propose to conduct further to study why majority of big enterprisers was affecting with HIV/AIDS which lead to backup to their families, countries as well as National.

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QUESTIONNAIRE

Introduction

My name is Baya Thani Awesu, pursuing the Degree of Master of Science in Accounting and Finance at Mzumbe university .The purpose of this research is to investigated risk management in small and micro enterprises so as to identified risks, examined the effects and measures could used to reduce negative effects in the business. The data of this study was helping the present and new entrants to the small and micro enterprises in avoiding the risks in running business in the country especially at Mwanakwerekwe market. All information of this study will be confidential between me and you and was used only for academic purpose and nothing else.

You are welcome.

APPENDICES

QUESTIONNAIRE GUIDE FOR RESPONDENTS

PART ONE

Background information

- i. Gender (Please tick the correct one) 1. Male () 2. Female ()
- ii. Age.....
- iii. Marital status-1. Married () 2. Single () 3. Widowed () 4. Separated ()
- iv. Household head 1. Male () 2. Female ()
- v. House hold size 1. 1-4() 2. 5-8() 3. 9-12() 4. More than 12()
- vi. Business income level per month
 - 1. 100,000- 500,000 ()
 - 2. 500, 000-1,000,000 ()
 - 3. More than 1,000,000 ()
- vii. Occupation .1. Employed () 2. Self-employed ()
- viii. Businessman education level. 1. Informal () 2. Primary () 3. Secondary () 4. Tertiary education ()

PART TWO: SOURCES OF RISKS

- 1. Are you the owner of this enterprise? Yes () No ()
- 2. Have you faced any loss in your business? Yes () No ()
- 3. If yes, which source of losses in your business from?
 - i. Internal (This source is by your own operation, you can control) ()
 - ii. External (This source is not from your operation .you cannot control) ()
 - iii. Or both ()

4. Which among these risks are most common in your business?

- i. Theft of goods and money ()
- ii. Bad environment ()
- iii. Poor security, ()
- iv. Poor government support ()
- v. Low knowledge ()
- vi. fire outbreak ()

5. Mention any risk that you usually face in your business that is not mentioned above

- i.
- ii.
- iii.
- iv.

PART THREE: EFFECT OF RISKS

This party will answer the specific objective number two

6. Have you faced any negative effects in your business? Yes () No ()

7. If yes, which among these effects are common in your business?

- i .Loss of assets ()
- ii .Decaying of product ()
- iii. Low money circulation ()
- IV .Fail to return loan in time ()
- v. Bankrupt ()

8. Mention any risk that you usually face in your business that is not mentioned above

- i.
- ii.
- iii.
- iv.
- v.

PART FOUR: MITIGATE RISK

This party will answer the specific objective number three.

9. Are there any measures that can be used to address negative effects in your business?

Yes () No ()

10. Which method do you take in managing the risk?

1. Avoid () 2.Reduce () 3.Transfer (). 4. Combined methods ()

11. What are the measures that can be used to address risks in your business?

.....
.....
.....

ADVANTAGES OF RISK MANAGEMENT

12. When you measures taken to address risk in your business, what are the benefits can you receives?

.....
.....
.....
.....

THANKS FOR YOUR SUPPORT.

MASWALI

WEKA ALAMA YA VEMA (✓) KATIKA JAWABU SAHIHI
SEHEMU YA KWANZA (HISTORIA YA MFANYA BIASHARA)

- i. Jinsia 1. Mume () 2. Mke ()

- ii. Umri.....

- iii. Hali ya ndoa : 1. Umeowa/ umeolewa () 2. Hujaolewa/ hujaowa ()
3,umeachwa/umeacha () 4.mmetengana ()

- iv. Mkuu wa kaya: 1. Mume () 2.Mke ()

- v. Ukubwa wa kaya: 1.1-4 () 2. 5-8 () 3.9-12 () 4. More than
12 ()

- vi. Kiwango cha mapato ya biashara kwa mwezi:
 1. 100000---500000 ()
 2. 500000-1000000 ()
 3. Zaidi ya 1000000 ()

- vii. kazi: 1. Umejiriwa () 2. Umejiari ()
- Viii. Kiwango cha elimu ya mfanya biashara: 1.hakupata elimu ya shule ()
2.elimu ya msingi ()
 3. elimu ya sekondari () 4.elimu ya juu ()

SEHEMU YA PILI (CHANZO CHA VIKWAZO)

1. Je! wewe ni mmiliki wa biashara hii? Ndio () Hapana ()

2. Je! umeshawahi kupata hasara katika biashara yako? Ndio () Hapana ()

3. Kama ndio,Je! ni ipi sababu ya hasara hiyo ?
 - i. Ndani ya biashara ()
 - ii. Nje ya biashara ()
 - iii. Zote (i) na (ii) ()

4. Katika vikwazo vifuatavyo vipi ni maarufu katika biashara yako?
 - i. Wizi wa fedha na bidhaa ()
 - ii. Moto ()
 - iii. Mazingira mabaya ya biashara ()
 - iv. Hapa usalama katika biashara ()
 - v. Elimu ndogo juu ya biashara ()
 - vi. Serekali haiwaungi mkono wafanya biashara ()

5. Taja vikwazo vyengine unavyovifahamu katika biashara yako ambavyo hapo juu havikutajwa
 - i.
 - ii.
 - iii.
 - iv.

SEHEMU YA TATU: (ATHARI ZA VIKWAZO)

6. Je! umeshawahi kupata hasara katika biashara yako? Ndio ()Hapana ()

7. Kama ndio,zipi kati ya hasara zifuatazo ni maarufu katika biashara yako?

- i. Kupotea kwa mali ()
- ii. Bidhaa kupitiwa na muda ()
- iii. Mzunguko mdogo wa fedha ()
- iv. Kushindwa kurejesha mikopo kwa wakati ()
- v. Kufilisika kwa biashara ()

8. Taja hasara nyengine unazozifahamu katika biashara yako ambazo hapo juu hazikutajwa.

- i.
- ii.
- iii.
- iv.

SEHEMU YA NNE: (HATUA ZA KUONDOSHA VIKWAZO AU HASARA KATIKA BIASHARA)

9. je! umeshawahi kuondosha vikwazo vinavyokukwaza katika biashara yako?
Ndio () Hapana ()

10. Kati ya njia zifuatazo ,ni njia zipi umeshawahi kutumia kuondosha vikwazo vinavyokukwaza katika biashara yako?

- 1. kuacha ()
- 2. kupunguza ()
- 3. kuhamisha ()
- 4. Kuchanganya njia zote ()

11. Taja njia nyengine zinazoweza kutumika kuondosha vikwazo katika biashara yako ambazo hapo juu hazikutajwa.

- i.
- ii.
- iii.
- iv.

v.

12. Wakati ulipotumia njia hizo kuondosha vikwazo , taja faida ulizozipata katika biashara yako.

i.

ii.

iii.

iv.

v.

(AHSANTE SANA, KWA MASHIRIKIANO YAKO)

Appendix 2

INTERVIEW GUIDE FOR THE KEY PLAYERS OF MARKET

1. Age:Years

2. Marital Status: i. Single () ii. Married () iii. Widowed () IV. Divorced ()

3. Work position.....

4. What is your highest level of formal education?

.....

5. What are the main activities day to day?

.....

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.....

6. How long have you been working?

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7. What problems do you face in your daily routine?

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.....

.....

8. What are sources of the problems?

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.....

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9. Have you faced any negative effects in your work? Yes () No ()

10. If yes, which among these effects are common in your business?

i .Loss of assets ()

ii .Decaying of product ()

iii. Low money circulation ()

IV .Fail to return loan in time ()

vi. Bankrupt ()

11. Mention any risk that you usually face in your business that is not mentioned above

- i.
- ii.
- iii.
- iv.

12. Are there any measures that can be used to address negative effects in your business?

Yes () No ()

13. Which method you take in risk taking 1.Avoid () 2 .Reduce () 3.Transfer () 4. Combined methods ()

14. What are the measures that can be used to address risks in your business?

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.....

ADVANTAGES OF RISK MANAGEMENT

14. When you measures taken to address risk in your business, what are the benefits can you receives?

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THANKS FOR YOUR SUPPORT.