

# Risk Management Process, Owner's Characteristics and Business Performance of SMEs

Business  
Performance

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## Abstract

Internationally, Small and Medium Enterprises (SMEs) has been recognized as an important strategic sector in both developed and developing countries. In Sri Lanka, SME sector causes vigorous impact in the economy for promoting growth and social development. Even though, the potential contribution is substantial SMEs are struggle with risk management and survival problem in Sri Lankan economy. Further, there are recognized empirical, methodological and practical research gaps in the field of risk management of SMEs. Therefore, the aims of the study was to develop a model to investigate how risk management process and owner's characteristics significantly impact on business performance of SMEs. Thus, a systematic literature review was carried out by applying measures such as key words, language, type of the article, time frame and specially Emerald Insight, Google Scholar, and Science Direct libraries were considered. The systematic literature review facilitated to recognize justifiable research gaps and develop a model to show the behavior of risk management process and owner's characteristics on business performance of SMEs. The developed model can be used by researchers for conducting a quantitative analysis and thus it will fill existing theoretical research gaps. Further, results of such a quantitative analysis will help to develop a discussion comparing and contrasting with results of other studies. Thus, this study helps to fill existing empirical research gaps also.

**Keywords:** SMEs; Risk management; Business performance



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## Introduction

Contribution of SME sector is vital towards social and economic development exclusively in developing countries. For an instance, SMEs play an important role in social and economic development through creating employment opportunities, mobilizing domestic savings, poverty alleviation, income distribution, regional development, training of workers and entrepreneurs, creating an environment in which large firms flourish and contributing to export earnings (Jayasekara & Thilakarathna, 2013). According to, Gunawardana (2020) The Micro Small & Medium Enterprises (MSMEs) play a vital role in the socio-economic development of the country. It is estimated that MSMEs contribute 52% to the gross domestic product (GDP) and are considered as the backbone of the economy. In Sri Lanka, it is estimated that the MSMEs account for over 90% of the total enterprises in the non-agricultural sector and 45% of the total employment. Therefore, it is statistically evidenced and confirmed to us SME sector is an important strategic sector towards social and economic development of Sri Lanka.

Among above key contributions of SMEs, generating employment opportunities is much important contribution and it is evidenced by the Table 1.

**Table 1: SME's Employment Information**

	Number of establishments		Persons engaged	
	Number	Percentage (%)	Number	Percentage (%)
Micro	935,736	91.8	1,338,675	44.6
Small	71,126	7	529,751	17.6
Medium	10,405	1	386,756	12.9
Large	2,414	0.2	747,937	24.9
Total	1,019,681	100	3,003,119	100

Source: Department of Census and Statistics, 2015

The Table 1 shows micro establishments, which represent around 92% of the establishments in the country, generate employment only for 45%. However, large establishments represent only 0.2% out of the total establishments in the country contributing employment nearly for 25%. Moreover, SMEs represent 8% out of the total establishments and generated job opportunities around 31%. These evidences show that SME sector is also strategically important to generate job opportunities, poverty alleviation and income distribution.

Even though the potential role of SME sector in Sri Lankan economy is substantial, there are lot of financial management and risk management complications. Those problem result to poor business performance and loss of survival of SMEs creating hardships on the Sri Lankan economy. Easter Sunday bomb attack, Covid-19 pandemic and economic crisis of the country are major sources for unstable economy. Among them, economic crisis of the country turned current conditions into critical business environment. Because, Current economic crisis generated a big uncertainty in various aspects such as inflation, shortage of foreign reserve, increase of interest

rates, limit of imports, depreciate of exchange rate and many other economic problems. Thus, unstable economy and uncertainty create risk management problems heavily on SME sector in Sri Lanka. Therefore, it is needed substantial research studies in this sector to answer recognized research gaps.

### **Problem Statement**

There are number of evidences which confirm importance of enhancing risk management practices and business performance of SMEs in Sri Lanka. Thus, establishing and implementing effective risk management process and increasing business performance will result towards sustainability of SMEs and economic development of a country in various aspects. Even though SME sector in Sri Lanka has more potential opportunities to contribute the economic development they face lot of risk management problems. At the present, unstable business environment based on economic crisis of the country has result to dangerous risk management issues, loss of business performance and survival problems in SME sector. Sriyani (2022) stated, economic crisis creates a vulnerable situations and it affects highly growth and survival of SMEs. Further, key problems on SMEs are identified, high cost of production, decline demand due to inflation, shortage of raw materials, working capital and liquidity problems. These uncertain conditions further evidenced by (Gunawardana,2020) and (Lakshila, 2022). Therefore, researcher motivated to do a study in risk management of SMEs for filling this practical and timely emerged research gap.

Moreover, risk management practices development regarding SMEs is at poor level in Sri Lankan context due to several reasons. The major reasons are behind this lack of funds available and owner manager inadequate knowledge in decision making (Abeyrathna & Kalainathan, 2016). Low quality and poor risk management practices of Sri Lankan SMEs are evidenced by (Bandara, 2016;Thrikawala,2011;Jayathilake,2012). Out of Sri Lanka. Falkkner and Hiebl (2015) and Henschel (2008)confirmed, risk management in SMEs has been increasing in recent years but still there is no systematic review has been conducted on this topic. Therefoer, these empirical research gaps resulted to motivated research to do a systematic literature review.

On the other hand, research in this field have been conducted out of Sri Lanka. However there is a need to validate the relationship between risk management process, owner's characteristics and business performance of SMEs in Sri Lankan environment due to the difference in culture, ways of thinking, legal on business and political situations. These differences lead to difference responses which then contribute to the way the effect of risk management process on business performance is explained. This background also motivates to conduct a systematic literature review. Moreover, studies were carried to investigate impact of risk management on business performance and impact of owner's characteristics on business performance separately. However, findings of those previous studies are ambiguous and inconclusive. Some of the researchers argued; there is a significant positive relationship between risk management process and business performance (Yakob et al., 2019;Apaloo & Bright, 2022;Afolabi et al., 2018). But, contrasting findings says; there is no significant relationship exist among these variables and some other factors significantly moderate this relationship (Dickinson,2001; Watt, 2007;Jayathilake,2012).Therefore, most of the findings are vague and not

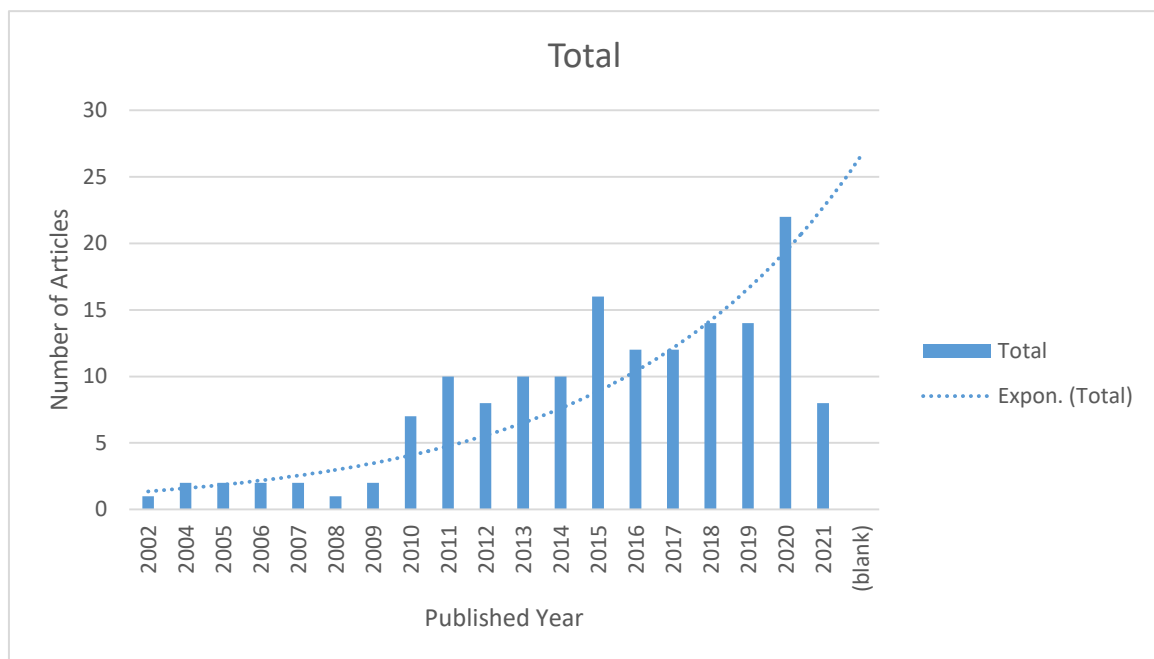
consistent. Therefore, this background also motivates the researcher to conduct a systematic literature review aiming a particular model development.

Therefore, a systematic literature review was carried out in the field of risk management of SMEs to recognize further research gaps existed with support of clear evidences. Recognized research gaps and respective evidences are presented under the problem justification section. Figures presented for problem justification were derived on systematic literature review with support of Zotero personal research assistant software. Moreover, the aim of the study was to develop a conceptual framework to elaborate impact of risk management process and owner's characteristics on business performance of SMEs.

### Problem Justifications

The key instrument was systematic literature review to recognize research gaps with evidences as well as the critical review was also supported to find further research gaps with evidences. Risk management is one of sub sector coming under the financial management and thus systematic literature review was started for the field of financial management of SMEs. Accordingly, an important trend could be recognized.

It can be observed that studying about SME sector is an interested and emerging research field by looking around the world research trend in field of financial management. The Figure 1 shows number of journal articles published from year 2000 to year 2021.

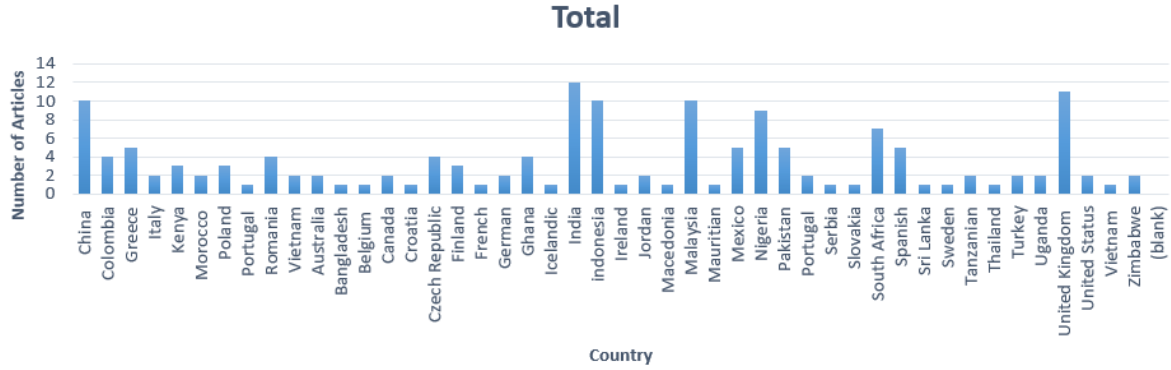


**Figure 1:** Yearly wise Number of Research Articles Published in Field of Financial Management

According Figure 1, there is a trend researchers in financial management field focused on SME sector to do their research studies. It is evident high number of research articles published in year 2020 comparatively to past years and expected to be continued this trend in future starting

from year 2021. Hence, it is clear studying about financial management of SMEs is an interested and emerging field to do an independent research study.

Moreover, it can be concluded that studying about financial management of SME sector is taken poor attention in Sri Lankan context by considering number of research articles published. It is an important empirical research gap and can be evidenced by Figure 2.

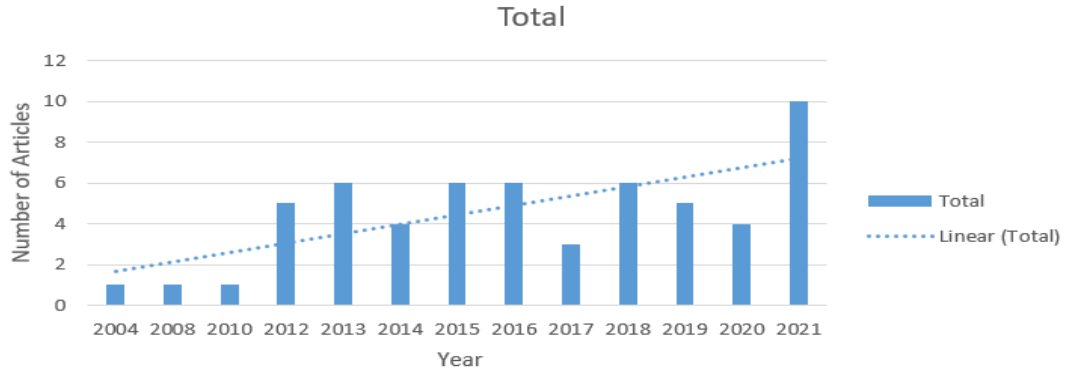


**Figure 2:** Country wise Number of Research Articles Published in Field of Financial Management

According to Figure 2, highest number of research articles in field of financial management of SMEs published in countries such as China, India, Indonesia, Malaysia, Nigeria, South Africa and United Kingdom comparatively to other countries. Among the south Asian countries, India and Pakistan have reported high number of research articles but other countries including Sri Lanka reported less number of research articles in field of financial management of SMEs. It is an empirical research gap must be answered.

As we know, SME sector in the world and specially developing countries such as Sri Lanka was felt into serious problems with impact of Covid-19 pandemic. According to, Gunawardana (2020) Covid-19 pandemic results to highly bad affects for most of economic activities causing MSMEs to undergo severe hardships with the implementation of curfew and lockdown of some areas. Moreover, the main subsectors which are affected by the COVID pandemic with special reference to MSMEs namely Tourism industry, Apparel sector, Foot wear and Leather sector, processed food industry and Handloom and Handicraft industry etc. Therefore, currently this is the main and critical practical research gap existing in the small and medium size enterprise sector. Further, current economic crisis in Sri Lanka still is creating a big uncertainty in the business environment by taking researcher attention in to a study about risk management under the field of financial management of SMEs. Hence, researcher interested as well as it is highly important to seek existing research gaps in the field of risk management of SMEs under the main research gaps of financial management of SMEs found above.

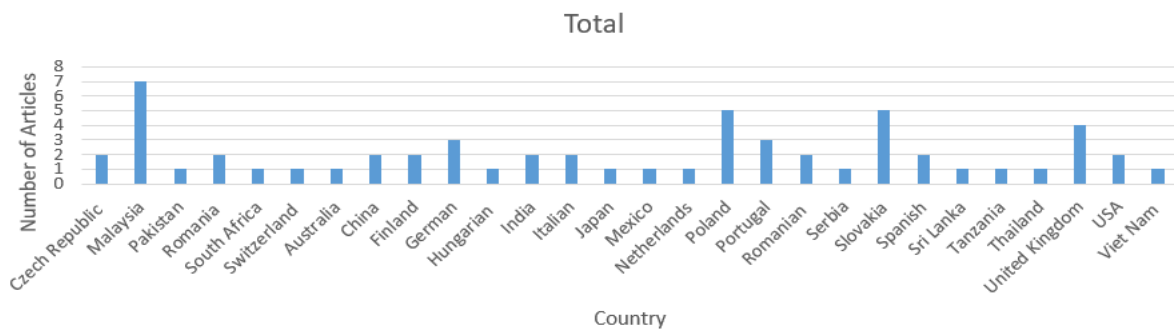
Accordingly, researcher carried out a systematic literature review in the field of risk management of SMEs and an important trend could be found. The Figure 3 derived based on the review and it shows prevailing trend of research in field of risk management of SMEs.



**Figure 3:** Yearly wise Number of Research Articles Published in Field of Risk Management

Figure 3 shows that researchers highly interest and motivate to do their studies in this emerging research area. It is confirmed by the trend line shows gradual increase of doing research starting from year 2012 to year 2021. Therefore, it is highly important and meaningful to do studies in the field of risk management of SMEs.

Figure 4 shows number of research articles published country wise in field of risk management of SMEs. Highest number of research studies were carried out in countries such as Malaysia, Poland, Slovakia and United Kingdom etc. But very few studies were carried out in Sri Lankan context comparatively above countries and it can be recognized as major empirical research gap. Moreover, this systematic review found that there is a dearth of research articles published in well reputed international research journals in field of risk management of SMEs in Sri Lankan context. But, ample of research articles available in locally published peer review journal and conference proceedings. This prevailing condition is also a highlighted empirical research gap in this field.



**Figure 4:** Country wise Number of Research Articles Published in Field of Risk Management

Furthermore, the generalizability of most Sri Lankan research studies is at a problem. Because, lot of studies carried out in this field did not consider a large sample to satisfy the condition of reasonable representation of population of the study. Further, some of studies have applied parametric tests to test hypothesis of studies with a small sample and it violates fundamental of statistics. For an instance, there are number of studies have considered a small

sample generally it is less than one hundred respondents. of (Abeyrathna& Kalainathan, 2016; Uduwaka & Dedunu, 2019; Rathnasiri, 2015; Tharindi & Rathnayaka, 2016; Yogendrarajah et al., 2017; Bandara & Rathnasiri, 2016; Baskar, 2018; Jayawardane & Gamlath, 2020; Madurapperuma et al., 2016; Balagobei, 2019; Balagobei, 2020; Menike, 2018; Amaradiwakara & Gunatilake, 2016; Fairoz et al., 2010). There are few studies those considered a large sample more than one hundred respondents hence results are more valid comparatively (Somathilake & Pathirawasam, 2020 ; Jayathilake, 2012; Jayathilaka, 2013; Wijewardena et al., 2008; Wijewardana, 2018; Sooriyakumaran et al., 2020). Accordingly, this can be considered as a justifiable methodological gap exist in this research field.

## **Literature Review**

The literature review carried out was based on research articles collected via systematic literature review process. Thus, risk management process, Owner's characteristics and business performance are variables of the study. Moreover, main effort is given to identify respective dimensions of variables and empirical evidences to recognize existing relationship among these variables.

### ***Risk Management Process of SMEs***

Firstly, it is important to review risk management process of SMEs to recognize dimensions, definitions, indicators and impact of risk management process. Accordingly, a sort of discussion about historical evolution of risk management is essential. Then after, researcher mostly tends to recognize dimensions and impacts of risk management process and link them to the conceptual framework.

According to Williams and Heins (1964) & Crockford (1982) studied about the topic of risk management has been started after Second World War in the period between 1955 and 1964. Those days, there were no published books available on the topic of risk management and universities has not offered courses for risk management. In the past, the first risk management tool was insurance associated with protection of individuals and companies from various losses generated by accidents. Later, insurance coverage became expensive and incomplete and thus, new forms of pure risk management emerged during the mid-1950s. Accordingly, contingent planning activities were developed, and various risk prevention or self-protection activities and self-insurance instruments, also related to work accidents and illnesses, were put in place (Dionne,2013). Importantly, Risk management theories evolved after the COSO Report (1992) and its updated version (2004, 2016), elaborated by Committee of Sponsoring Organizations of the Tread way Commission

Most of the researchers have defined risk management as a process consisted of several steps (Dickinson,2001;Vaughan&Vaughan,2001;Labodova,2004;Head,2009;Smit& Watkins, 2012; Mansor et al.,2016;Dyorsky et al.,2020). Similarly, researchers have presented different risk management framework those comprise step of risk management process (Oduoza, 2020; COSO, 2004;Verbano & Venturini,2013). Most of the frameworks are so similar and minor disparities are there. Therefore, it can be concluded that there is a common agreement between researcher's definitions and frameworks in terms of steps in risk management process. Those

four major steps or dimensions are risk identification, risk assessment or evaluations, risk response or mitigation and risk monitoring.

In above, it was agreed that risk management is a process to be followed and there are four major dimensions as a conclusion. Now, it is important to have a discussion to recognize the way of impact risk management process on business performance of SMEs. Here, researchers have adopted different research designs and analysis to investigate the impact of risk management. For an instance, different sampling methods and data analysis software have been applied to come into a conclusion. However, a common agreement can be recognized among researchers, the risk management process significantly impact on business performance of SMEs and risk management is a tool can be developed to improve business performance. This entire scenario is evidenced by (Yusuf & Dansu,2013;Abeyrathna& Kalainathan, 2016; Bayaga et al., 2013; Kagawathi et al., 2014).

### ***Owner's Characteristics of SMEs***

When reviewing past literature, it is crystal clear that owners of SMEs play a crucial role in managing their business activities. Thus, owners can be considered as the key decision maker. Therefore, researcher intends to review past literature strongly to recognize how owners of SMEs influence on risk management process as well as business performance of SMEs.

Accordingly, Yusuf and Dansu (2013), SME's risk management is basically the responsibility of the owner who will account for risk decisions made for the business. Similarly, Watt (2007) opines that the risk management function in SMEs is usually at the prerogative of the owner. However, this means that SMEs risk management will greatly be influenced by the owner's risk perception and his attitude towards risk management. Further, Abeyrathna& Kalainathan (2016) noted that, owner of a SME is often part of the management team and his intuition and experience are important for managing the firm. Moreover, Jayathilake(2012) studies risk management of SMEs and results showed that the management of risk is strongly concentrated on owner managers and business planning system and link between the planning and risk management are not well developed in small and medium enterprises. Therefore, owner manager in SMEs is often more responsible for many different tasks and important decisions.

According to previous studies, there are lot of wide diversity of owner's characters those influence on different management decisions of SMEs. Collins and Edwin (2016) have taken owners' self-efficacy, owners' Overconfidence and owners' social network as main owner's characters impact on capital structure decisions or debt financing decisions. Nur and Putri(2021) analyzed impact of financial literacy of owners on performance of SMEs. Consequently, researcher concluded that the SMEs performance depends heavily on the financial literacy of the owners. In order to be financially literate, the owners must have financial knowledge, a well-defined attitude towards financial issues and a sense of financial awareness. Thus, it was considered three variables namely, financial knowledge, financial attitude and financial awareness that would have impact on the performance of SMEs. Jayathilake(2012) found that the attitudes of the owner managers and their knowledge towards risks play an essential role in how systematically risks are handled.



Practically, all management functions of SMEs are implemented by owners and thus owner-manager role can be seen in taking management decisions. Alharbi et al. (2018) Studied moderating impact of access to finance on the relationship between owner manager characters and business performance of SMEs. Accordingly, researchers have considered four owner manager characters namely, Age of managers, Education of managers, Experience of managers and Training of managers. Atsedet et al.(2008) carried out a study and results showed that owner manager characters, age, education and previous experience are significant variable impact on performance and growth of SMEs. Moreover, Qureshi et al.(2022) carried out a study about personal characters of SME owners and results confirm People prefer business experience over business education, and they avoid sharing business ideas with other friends. Experience of entrepreneurs have a significant positive relationship on business performance, prior experience of doing business significantly impacts business performance.

Soomro et al.(2019) showed that one's experience determines business strategy and success. People with more experience are believed to be more capable of solving problems and issues that come at them. Experience has a relationship with age. Experience is knowledge and skills acquired by someone in a period and particular field in the past. It's not necessarily someone older has more experience than the younger ones. Helpfully, Chaniagoi(2021) also ensure that experience of owner's is proven character affecting financial performance and interest of the owner.

According to Gwangwava et al.(2014), attitude of SMEs towards risk and their assessment differs significantly from large enterprises. Risk management practices in SMEs relate to the beliefs and attitudes of owners. Boermans and Willebrands(2017) have identified risk perception and risk propensity of as two key dimensions of the owner's risk attitude and further this study emphasize that owner's risk attitude greatly impact on business performance of SMEs. Therefore these evidences emphasize that owner's risk attitude also a significant variable impact on risk management function as well as business performance of SMEs.

According to above evidences, three main owners characters influence on management decisions and performance of SMEs significantly. Those characters are owners experience, owner's attitudes and financial literacy. There are many other owners characters such as age, gender, leadership style etc., those also influence on management decisions and performance. But, those characters are coming under above mentioned three main categories. For an instance, age of an owner can determine level of experience obtained. Therefore, owner's experience, owner's attitudes and financial literacy are considered three main dimensions of the owner's characters and link them into the conceptual framework of the current study.

### ***Business Performance of SMEs***

Social science researchers have defined the term business performance in broad way. But, common meaning of the term business performance takes achieving organization objectives as expected even though slight disparities among definitions are there (Antony& Bhattacharyya, 2010;Asat et al., 2015;Ahmed& Manab, 2016). Hence, it is important to review past literature to recognize suitable measurements for business performance.

There are two types of measures to evaluate business performance called subjective and objective measures. Mostly, researchers suggest and recommend to apply subjective measures as they reflect accurate level of performance of SMEs (Khan et al., 2014; Ahmad & Jamil, 2020; Somathilake & Pathirawasam, 2020). There are several reasons identified behind this inability to obtain objective data for researchers. Dess and Robinson (1984) recognized those reasons; managers often refuse to provide accurate objective performance data, objective data don't fully represent firm's actual performance though they are available and managers may manipulate objective data to avoid taxes. These findings were also evidenced by (Sapienza et al., 1988). Further, Wall et al. (2004) found that objective data available to the researchers may not be compatible with the intended level of analysis. Many managers of SMEs consider objective performance measures to be confidential and guard them from public scrutiny (Gruber et al., 2010; Sabana, 2014). Therefore, SMEs are often very reluctant to publicly reveal their actual financial performance, and scholars have deliberated on the need for subjective measures (for an instance, the seven point Likert scale in empirical research) in evaluating business performance.

Apart from the above reasons, there are more valid reasons to use subjective measures by researchers. Accordingly, one of the issues in applying objective data is difficulty of interpreting. For an instance, when financial statements show a loss or low profit it can be considered as poor performance. But, such a loss or low profit may be reported due to firm's substantive investment in research and development including product and market development for future growth (Covin & Slevin, 1989). Thus, researchers are advised to use subjective measures to avoid this kind of misinterpretations. Further, Wall et al. (2004) carried out a study and it confirmed Subjective measurements are strongly correlated with objective measurements in terms of absolute changes in return on assets and sales over the same time period. Therefore, managers are often encouraged to evaluate business performance through general subjective measures that can reflect more-specific objective measures. Another proof for applying subjective measures; it allows to comparison across firms and contexts effectively, such as industry type, time horizons, cultures or economic conditions (Song et al., 2005). Hence, these findings support the validity of performance evaluation through subjective measures than objective measures. Therefore, now it is essential to seek most suitable subjective measures to assess business performance of SMEs.

There are several business performance evaluation models introduced by researchers. Some of them are Business performance measurement system, Malcolm national quality award, Balanced Scorecard Model and European Foundation for Quality Management Model. Among these models, Business performance measurement system (BPM) is one of models recommended by (Mann & Kehoe, 1994; Franco-Santos et al., 2007). This model is a dominating instrument used to measure business performance in various research fields especially in business and social science studies. This system examines and inspects every factor that influences a firm's business performance. The main purpose of the system is to concentrate on studying the organization's functions at high and low levels of activity which can also be applied effectively to assess the performance of SMEs (Mahmudova & Kovacs, 2018)

The current study is going to investigate the impact of risk management process and owner's characters of SMEs on business performance. Therefore, this research study comes in the field of business and social science studies. Several researchers' advice measuring business performance by the business performance system, which is an imperative instrument for various research fields, especially in business and social science studies (Zulkifli & Perera, 2011). Thus, researcher interests to apply Business Performance Measurement System model to measure business performance of SMEs. Therefore, Zulkifli and Perera (2011) suggest five areas to measure business performance in a SME, these areas help to see firm's actual current conditions of business performance relative to the major industry competitors. Those five areas are market performance, supplier performance, process performance, people performance and customer relationship performance.

## **Methodology**

Systematic literature review was applied to recognize existing research gaps in the field of risk management in SMEs and develop the conceptual framework. Accordingly, it is meaningful to explain review process carried out as methodology applied in this empirical study. Accordingly, scope of the review was decided as risk management process, owner's characteristics and business of SMEs. This scope were based on reason, big uncertainty created on business environment due to several incidents such as impact of Easter Sunday Bomb attack, Covid-19 pandemic, and severe economic crisis in Sri Lanka. Apart from that, In Sri Lankan context, no systematic review could be found in connection to scope of this study although number of studies have been undertaken out of the Sri Lanka. This was also a major reason to take an action and undertake a systematic literature review in relation to the research area mentioned earlier.

The aim of the systematic literature review conducted was to build up a complete and sound evidence based about the risk Management Practices, owner's characteristics and business performance of SMEs in Sri Lanka. The following objectives were set out to achieve this aim of the study.

- Review a range of published literature in financial management of SMEs and risk management of SMEs-related research.
- Select full text journal articles by applying selection criteria; time period is taken as year 2000 to 2021, search keywords in the abstract, consider only full text journal articles while excluding book chapters, conference proceedings.
- Identify existing research gaps based on previous research
- Provide an analysis and commentary

30 years civil war in Sri Lanka was ended by year 2009 and then after economy emerged in several areas to develop in rapidly. Thus, researcher decided review period from year 2000 to 2021. Accordingly, libraries namely Emerald Insight, Google Scholar, and Science Direct were searched and 213 research articles selected for further analysis. These total selected articles were analyzed via Zotero personal research assistant software and generated several number of graphs to identify research gaps for problem justifications. Further, researcher developed a critical literature review on selected articles to develop conceptual framework, it does not consider total

213 number of research articles. Tranfield et al.(2003) Mentioned search of literature begins with keywords and search terms. Further, Ely and Scoot(2007) illustrated searching by applying keywords is the most common and applicable method of identifying relevant literature. Therefore, researcher employed carefully generated keywords included within the abstract of research articles. Those key words were financial management, risk management, owner's characteristics, business performance and SMEs. The following strategies are used to construct appropriate keywords.

- Derive major concepts from research questions
- Identify alternative spellings and synonyms for major terms
- Check the keywords included within the research title and abstract in any relevant papers that are already available to the researcher
- Use alternative spellings and synonyms when database allows

After generating appropriate keywords, researcher downloaded pertinent full text research articles by applying keywords and searching them within the research title and abstract of research articles. Initially, 578 research articles were downloaded via Zotero personal assistant software. Then after, researcher read title abstract, introduction and sometime problem statement to decide whether an article is relevant for the study. Further, following Table 2 and Table 3 show inclusion and exclusion criteria were used to select of research articles. Finally, this process facilitated to carry out extensive and comprehensive literature review.

**Table 2. Inclusion Criteria**

<b>Criteria</b>	<b>Reason for Inclusion</b>
Emerald Insight, Google Scholar, and Science Direct	They provide a wide access to articles
Publication written in English	English language is an internationally accepted and widely used one. So, it is useful to study research papers in all countries, Secondly, researcher can read and understand articles written in English only.
Consider all countries	To ensure a cross cultural view of main research area of this study.
All industries & sectors	To gain a wide picture of the factors those are relevant to main research area.
Quantitative & qualitative empirical studies	To capture all empirical evidence
Financial management practices of SMEs	To recognize sub areas of financial management and then existing research gaps
Risk management of SMEs	This is one of sub area of financial management and there were justifiable research gaps in this area
Owner's characters of SMEs	Risk management practices are mostly based of owners of SMEs
Business performance of SMEs	To recognize factors contribute to business performance of SMEs

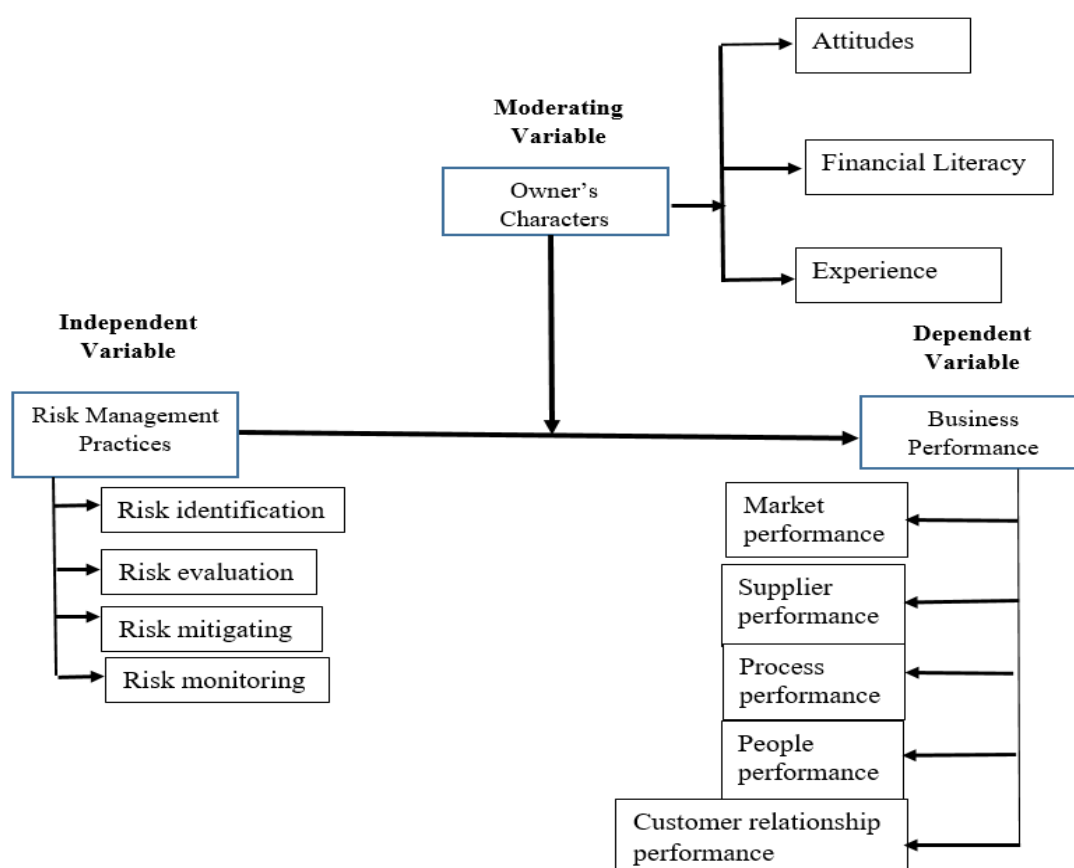
Source: Author's presentation

**Table 3. Exclusion Criteria**

Criteria	Reasons for Exclusion
Studies conducted before year 2000	Researcher intended to search timely relevant and updated research studies
Studies in other languages than English	Researcher can read and understand English language only.
Other electronic databases other than: Emerald Insight, Google Scholar, and Science Direct	Access is limited in other electronic databases
Studies about large enterprises	Beyond the scope of the current study

### Key Findings and Discussion

This empirical research study carried out originate empirical and methodological research gaps in terms of risk management of SMEs. Therefore, it was interested to review collected pool of research articles and develop following conceptual framework as the key finding of the study.



**Figure 5: Conceptual Framework**

Figure 5 shows recognized independent, dependent and moderating variable as well as appropriate dimensions of those variables. Previous research studies were critically analyzed and discussed to derive these variables and empirical findings of previous studies enabled to recognize relationship existed between these variables. Accordingly, this model emphasizes that owner's

characters of SMEs moderates the relationship between risk management process and business performance of SMEs. For further studies, interested researchers can statistically test this model of the study and develop empirical research evidences. Therefore, this model will support to fill existed empirical research gaps recognized in the field of risk management of SMEs.

Basically, SMEs are managed by owner was a major argument for investigating the moderating impact of owner's characteristics on the relationship between risk management process and business performance. This argument is evidence by (Yusuf & Dansu, 2013; Watt, 2007; Abeyrathna & Kalainathan, 2016; Jayathilake, 2012). Therefore, all managerial decisions including risk management decisions are taken by owner of a SME. Thus, owner's involvement on risk management decisions significantly impact on business performance of SMEs. Identified research gaps motivates researcher to undertake a study in the field of risk management of SMEs. So, it can be found that risk management process have a significant impact on business performance. It is evidenced by (Bayaga et al., 2013; Kagawathi et al., 2014). But, risk management process does not impact on business performance isolatly due to significant involvement of owners in decision making. Thus, these backgrounds lead to develop a model to investigate moderating impact of owner's characteristics as a conclusion.

The systematic literature review carried was limited to three main libraries namely Emerald Insight, Google Scholar, and Science Direct and 213 research articles were taken only for identification of research gaps. In the future, researchers can consider large number of research articles to identify research gaps broadly for avoiding this limiting factor. The current study proposed a model to investigate moderating impact of owner's characteristics. Here, it was recognized three key dimensions; attitudes, financial literacy and dimensions. But, there can be more influential dimensions when large number of research articles are taken into consideration. Apart from that, researcher proposed a general risk management framework for SMEs to investigate moderating impact of owner's characteristics. However, a more specific risk management framework and subjective performance measures can be incorporated to implement statistical analysis on this model. Therefore, those limitations of the study can be avoided via conducting a broad systematic literature review with large number of research articles. As well as the current study does not critically compare and contrast developed model with well-established theoretical model. For an instance, future researchers can analyses statistical results of this model comparing with theories like Contingency theory, Resource Based theory and Dual Process theory etc.

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