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EFFECTS OF ENTERPRISE RISK MANAGEMENT PRACTICES ON PERFORMANCE OF SMALL AND MEDIUM SCALE ENTERPRISES. A CASE OF DAR ES SALAAM CITY, TANZANIA.

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ABSTRACT
Purpose: This study highlights the effect of enterprise risk management (ERM) practices on Small and Medium Scale Enterprises' (SMEs') performance in Tanzania.
Design/ Methodology/ approach: Research was conducted in Tanzania's capital city of Dar es Salaam. A total of 335 participants were surveyed using structured questionnaires. The gathered data were analyzed with descriptive statistics, and the proposed study hypotheses were tested with the Structural Equation (SEM) in the R statistical programming language using the lavaan package. Tables and diagrams were used to present the model and its outcomes.
Findings: The results indicated that the relationship between internal environments (IE), Monitoring (MT), Event Identification (EI), Risk Response (RR), and Risk Assessment (RA) all significantly influenced ERM at a 95% confidence level. The findings indicated that an enterprise's effort in detecting and managing risk has a substantial effect on the performance of SMEs.
Research Limitations: During the process of conducting this research, there were some obstacles. SME entities were hesitant to complete the questionnaire, despite the researchers' direct approach. Also, many SMEs were less suited to directly entering their responses into questionnaire sheets, and some preferred to respond in their native languages.
Practical Implication: The practical implications of this study are to decrease the possibility and amount of loss and enhance SME performance, such as return on capital and lower expenses, through better integration of risk assessment and management, which will make SMEs more competitive and sustainable.
Originality/value: The study provides new insights into the role of ERM in increasing the performance of small and medium-sized enterprises (SMEs) in Tanzania and contributes to the field of SMEs research.
***Keywords**: Business; performance; risk management; small and medium-scale enterprises; Tanzania.*

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1. INTRODUCTION

1.1 Introduction

Business growth needs appropriate techniques to analyze risks and be able to manage them accordingly. Small and Medium Scale Enterprises (SMEs) as business practitioners should know the management of business risks. In most developing countries SMEs contribute much to their GDP, particularly in Tanzania they contribute about 35% of the GDP and take up 95% of all businesses in Tanzania (Tanzania Invest Centre, 2022). SMEs can be in the form of entrepreneurial orientation, innovation orientation, product orientation, sales orientation, and competitive or functional strategy Previtali, (2010), Rehman & Anwar, (2019). All these categories of SMEs are faced with various risks when performing their daily activities. Therefore, the problem of risk management practices in SMEs needs to be addressed as most SMEs identify but do not know how to practice risk management to accomplish their business strategies.

SMEs, like other businesses, are significantly affected by many risks, particularly in these contemporary situations (Gwangwava, Manuere, Kudakwashe, Tough, & Rangarirai, 2014). While SMEs take the role of entrepreneurial development and execute different purposes, they have to accommodate different forms of business risks (Falkner & Hiebl, 2015). SMEs operate in a fast innovative environment with a lot of profit pressure that needs them to generate many value-added services for customers' satisfaction. Risks in any business are much more complex now as a single action may involve several risks such as systematic and industrial risks.

All SMEs need to adopt risk management strategies and methodologies to understand, measure, evaluate and monitor risk (Verbano & Venturini, 2013). The knowledge of how to identify and manage risks in SMEs provides an important likelihood of being aware of the challenges and their solution to the business. A study conducted in South Africa to measure risks of financial performance to SMEs shows that the need for risk management provides a significant role to develop and maintain the business (Chiliya, Rungani, Chiliya & Chikandiwa, 2015). Risk is directly attached to the business operation cycle starting from setting business strategies to the maturity of the business.

1.2 Statement of the Problem

Risk management in SMEs focuses on how to identify, analyze, and mitigate the risks for better performance as strategized in a particular entity (Falkner & Hiebl, 2015). Risk management strategies are a vital component for any business to prosper regarding numerous types of risk (Chiliya et al., 2015). SMEs are not excluded from business risks, they are faced with many risks such as supply chain, raw material, interest rate, e-business, customer-relation, and growth risks (Falkner & Hiebl, 2015). Regarding this ground, risk management and its practices have to

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be the focus for SMEs, but most are not interested in employing formal strategies. The majority of SMEs are working blindly or trying to pretend not to be aware of business risk patterning their daily activities.

However, many businesses are established and conducted yearly on the SMEs platform, only 27.3% of the businesses have formal risk management strategies (Chiliya et al., 2015). Furthermore, the majority of SMEs do not have enough education, skills, and competencies in risks management and hence do business informally (Baya, 2014; Nanthuru, Pingfeng, Guihua, & Mkonya, 2018) This demonstrates that SMEs apply risk management, but are not practising it. Therefore, this study will examine risk management practices and performance of Small and Medium Scale Enterprises (SMEs) in Der Es Salaam city.

1.3 Study Hypothesis

The study aims at examining risk management practices and performance of Small and Medium Scale Enterprises (SMEs) in Der Es Salaam city. To achieve this objective, the research hypotheses were theorized as follows:

H1: Components of ERM positively and significantly influence ERM among SMEs in Dar es Salaam.

H2: There is a significant relationship between enterprise risk management and SMEs' performance in Dar es Salaam.

2. Literature Review and Theoretical Framework

2.1 Empirical Review

SMEs in Tanzania

Small and Medium-Sized Enterprises (SMEs) are found to be the pillar of every countries' economy and growth. More than 70% of SMEs provide self-employment to society, especially in the informal sector. The Organisation for Economic Co-operation and Development (OECD) reveals that the economic growth of many countries is tremendously dependent upon the development of SMEs and efficiency progress is catalyzed by competitive processes in the industry which, to a large extent, is built on the birth and death, entry and exit of smaller firms (OECD, 2005). SMEs employ informal and formal sectors at large as they are established to accomplish a certain purpose for the existing society. To mention a few, it includes the fishing industry, manufacturing, electrical engineering, food processing, material upgrading, sales and marketing, and the like. Consequently, SMEs provide both sustainable economic growth and job creation and studying the factors affecting their growth is very substantial(Diabate, Sibiri, Wang & Yu, 2019).

SMEs in Tanzania is projected to be more than 3 million enterprises which contribute to 35% of the overall GDP (Tanzania Investment Centre, 2022). A large number of SMEs work in the agricultural sector and interestingly is that more than half are owned by women. Consequently, SMEs can be identified based on the strategic type and the link between strategic type and international performance. SMEs can be in the form of entrepreneurial

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orientation, innovation orientation, product orientation, sales orientation, and competitive or functional strategy (Baya, 2014; Nanthuru et al., 2018; Thun, Drüke, & Hoenig, 2011)

In Tanzania, SMEs can also be categorized depending on the capital employed and the number of employees. The commonly used indexes are the number of employees, investment, and sales turnover. The first category is a micro-enterprises that engages up to 4 people, in most cases family members or employing capital amounting up to Tshs.5.0 million, second is a medium enterprise is a firm with 50 to 99 employees and lastly, is a firm with 100 employees or more is taken as a large enterprise (Republic & Industry, 2002). For the case of a firm falling under two categories, the level of capital investment will be the deciding factor. The table below demonstrates what has been said.

Table 1: Categories of SMEs in Tanzania

Type	Number of staffs	Investment value in Machinery (Tshs)
Microenterprise	1 - 4	Up to five million.
Small enterprise	5 – 49	Above five million to 200 million.
Medium enterprise	50 – 59	Greater than 200 million up to 800 million.
large enterprise	100+	800 million and above.

Source: SME policy Tanzania (2002)

SMEs tend to utilize local resources using modest and reasonable technology and transform them for further use by industries both local and international (Yakob, BAM, Yakob, & Raziff, 2020). SMEs depend on creativity, risk control, innovativeness, relationships, opportunity detection, and learning abilities to ensure sustainability in growth.(Aebi, Sabato, & Schmid, 2012; Gwangwava et al., 2014). SMEs perform an essential part by exploiting and adding value to local resources because the technology used is simple and easy to acquire. SME is widely considered worthy of the improvement of economic distributions(Georgousopoulou, Chipulu, Ojiako, & Johnson, 2014).

Enterprise Risk Management.

Enterprise risk management (ERM) is the practice of integrating risk management practices and employing holistic tactics to manage multiple types of risks at the same time (Bromiley, McShane, Nair, & Rustambekov, 2015; Brustbauer, 2016; Glowka, Kallmünzer, & Zehrer, 2021). This approach was initiated in the 1990s as the best way to control risks facing business enterprises. A great concern has grown since then on the acceptance holistic view of risk management. (Gordon, Loeb, & Tseng, 2009). Many firms implemented ERM as it is believed to improve the performance of the firm as risks are controlled from each step of the business. Acceptance of ERM procedures is more critical for SMEs, as they have fewer resources and face more challenges in managing risks. Additionally, ERM refers to the process of planning, organizing, directing, and regulating resources to accomplish specified goals in the face of unanticipated good or bad events (Head,

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2009). As a result, SMEs must develop risk management strategies and processes for identifying, assessing, evaluating, and monitoring risk to achieve sustainable growth (Verbano & Venturini, 2013). According to the International Organization for Standardization (BSI, 2018), risk management should: create value; be an integral part of organizational processes; be used to make explicit decisions about uncertainty; be systematic and structured; be based on the best available information; be tailored; consider human factors; be transparent and inclusive; be dynamic, iterative, and responsive to change; and be capable.

Acceptance of ERM guidelines enables the enterprise to achieve desired implemented strategies which are found to be the cornerstone of achieving shareholders' wealth maximization objective. ERM is an integral part of any business development plan (Rostami, Wong, and Lee, 2015). Furthermore, previous research defined risk management as the process of protecting an enterprise's assets from losses or exercises that could be detrimental to its operational activities. (Aebi et al., 2012; Lima, Crema, & Verbano, 2020; Gwangwava et al., 2014; Rehman & Anwar, 2019; Songling, Ishtiaq, & Anwar, 2018)). Studies revealed that SMEs are facing challenges of innovation, human capital, finance inadequacy, market access, legal aspects, technology, and infrastructure access as the main constants for their growth (Lyimo, 2014).

Risk practices in SMEs

Chapman and Cooper (1983) define risk as the possibility of incurring economic and financial losses or physical-material damages as a result of the inherent uncertainty associated with the actions of a business organization. Furthermore, the risk is a threat of loss at a certain level of environmental awareness. In other words, from the standpoint of a business decision, the risk is exacerbated by two factors: uncertainty and the negative impact of this uncertainty on the decision subject. Risk, whether pure or speculative, refers to more than just the occurrence of negative outcomes. Another type of risk is unpredictability with positive outcomes. Losses of opportunity may be as significant as actual losses.

SMEs face several human and organizational risks. As a result, the risk exists everywhere, as it does with the development of SME businesses. Hudáková, Schönfeld, Dvorsk, and Lusková (2017) conducted studies on market risk analysis and methodology for its more effective management in SMEs in the Slovak Republic and discovered that the primary impediment to enterprises exercising effective risk control is a lack of information, whether internal or external data are required for risk evaluation and management or their integration into the decision-making process. Market and operational hazards are gaining increased attention among SMEs. While market and operational risks may arise from subjective elements within the organization, environmental risks are primarily concerned with objective factors within the SME's business environment that are outside the company's control.

ERM necessitates that the business organization handles risk logically and holistically rather than in isolation. Every individual, regardless of their position, must take appropriate action to mitigate risk when it occurs. SMEs will be able to control risks before they happen and systematically

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manage risks if they use ERM (Razali & Tahir, 2011). Lam (2000) defines ERM as having seven components: corporate governance, line management, portfolio management, risk transfer, risk analytics, data and technology resources management, and stakeholder management. As a result, ERM is very important for risk management in small and medium-sized businesses because it takes a very integrated and systematic look at things.

Risks facing SMEs

Risk in SMEs can be categorized into five types: growth risk, supply chain risks, raw material prices, and interest risks (Falkner & Hiebl, 2015). Interest risk is a threat that SMEs face when seeking a loan from financial foundations such as commercial banks, credit cooperatives, and or SACCOS. Most SMEs have low capital to invest as a result they are subjected to various financial assistance while having limited options. The availability of a loan depends on collateral that grants the payback, however, in some instances strong collateral does not grant playability and cannot compensate for the taken amount. The non-payment of the loan because of the high-interest rate brings difficulties such as business failure(Aebi et al., 2012). The second type of risk in SMEs is raw material prices when the SMEs experience a rise and fall in the raw material price because of increasing competition, changes in climatic conditions especially for agricultural products, and the energy market (Falkner & Hiebl, 2015). Contrary to larger companies with modern technologies that enable them to switch to cheaper resources, SMEs have no such ability and are hence subjected to raw material risk (Falkner & Hiebl, 2015). In this regard, SMEs have to collaborate with others to expand their risk management.

The third risk is e-business and technology, where the SMEs are threatened by the fast-growing electronic business platform such as cyber-attacks, credit card fraud, and identity theft (Falkner & Hiebl, 2015). The use of e-business platforms allows the world to be integrated in such a way that goods or services can be sold or bought from a long distance, leaving SMEs close to a dilemma.
The fourth risk is a customer-related risk, the management of customer satisfaction which keeps on changing from time to time brings a threat to SMEs. The relationship between SMEs and their customers depends on the nature of contact such as online or face-to-face, for the gap recovery depends on the nature, size, and number of transactions of a particular business.

The fifth risk is supply chain risk when the SMEs depend on one or few suppliers who sometimes fail to provide the needful raw materials or goods (Falkner & Hiebl, 2015). When there is any problem with the supply chain, it predicts the challenge in production and then the supply of the goods to consumers (Falkner & Hiebl, 2015). The last type is growth risk when the business expands goes with increases the number of risks which in some ways may be difficult to be handled by the SMEs such as know-how or technologies, and new market strategies (Falkner & Hiebl, 2015).

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2.2 THEORETICAL FRAMEWORK

2.2.1 Conceptual framework

The purpose of this study is to determine the contribution of each component of ERM to the performance of small and medium-sized enterprises (SMEs) in Dar es Salaam. Based on previous research (Kwanum & Luper, 2012; Togok, 2016), this study chose the following eight ERM practices as explanatory variables: Internal Environment (IE), Objective Setting (OS), Event Identification (EI), Risk Assessment (RA), Risk Responses (RR), Control Activities (CA), Monitoring (M), and Information and Communication (IC). These variables will be used to explain the performance of SMEs (response variable). Figure 1 summarizes the conceptual basis for the effects of ERM on SME performance.

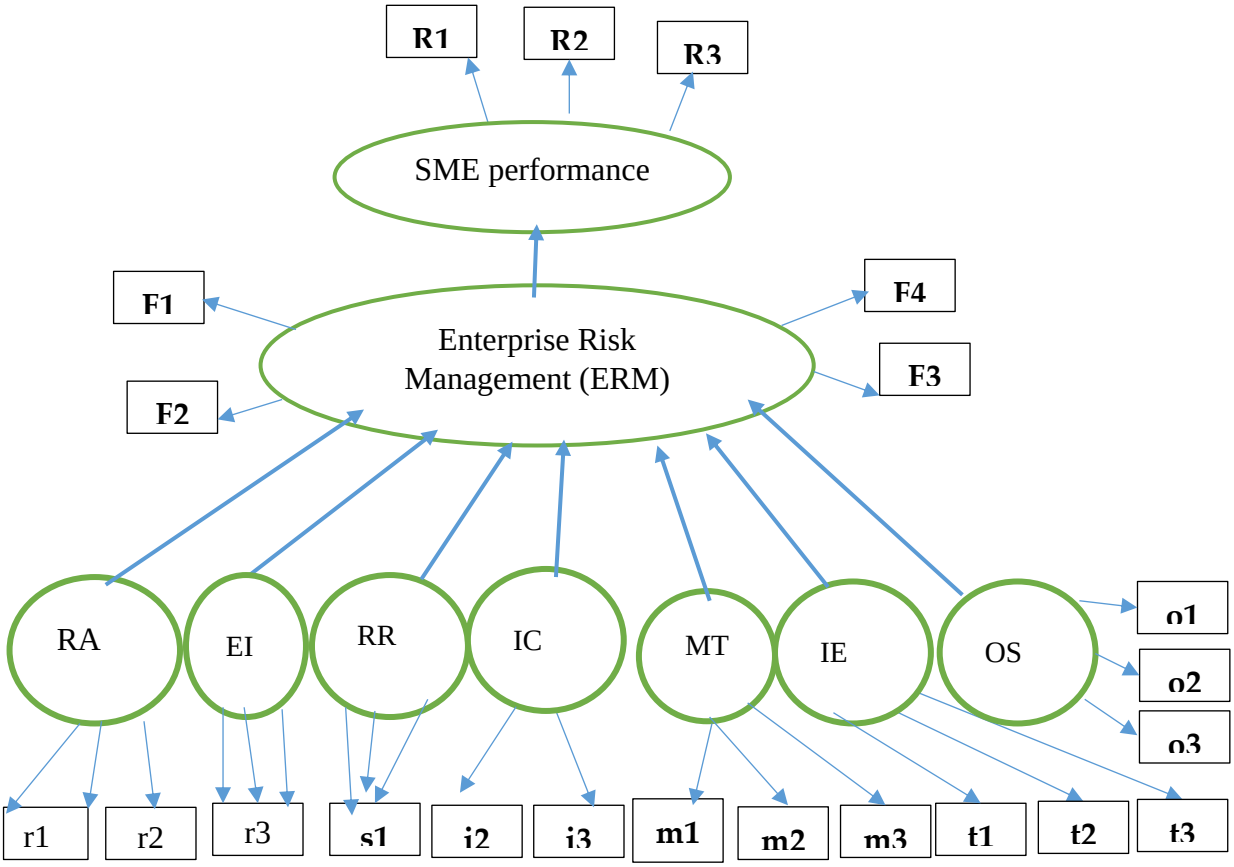

Figure 1: Hypothesized structural equation model showing the connection between the latent variables and their manifest variables.

3. METHODOLOGY

3. 1 Area of study, Design, and Metrics

Dar es Salaam was the region of the study. In comparison to other regions of Tanzania, Dar es Salaam is home to a large number of existing firms. Numerous business centers, including Karia

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Koo, Buguruni, Mwenge, Karume, Kisutu, and Tegete, have been highlighted as suitable locations for entrepreneurs to launch small, medium, and large-scale enterprises. The research design for this study was quantitative. This method was chosen because it allows the researcher to calculate the real statistical measure of the empirical data for the given study hypothesis (Odoom, Anning-Dorson, & Acheampong, 2017). Closed questionnaires were used to obtain the data. Several portions of the questionnaire were adapted from previously used scales (Kwanum & Luper, 2012; Sefiani, 2013; Togok, Isa, & Zainuddin, 2014; & Lekhanya, 2016). However, the new questionnaire was tested during the pilot study. Three sections comprised the questionnaire. The first part will contain 9 questions regarding the demographic variables. The second section of the questionnaire included three questions about the performance of SMEs. This part covered the dimension of business performance including entrepreneur, enterprise, and environmental characteristics. The third part contained 21 questions relating to the practice of ERMs developed from 7 components of the COSO ERM framework (Togok et al., 2014). In each component, three questions were developed. Questionnaires for the proceedings were available in both English and Swahili. The data was taken in Swahili and subsequently transcribed into English. There were five-point Likert scales for both ERM and the performance of the firm. They ranged from "1" (strongly disagree) to "5" (strongly agree).

3.2 Population

The research population included all SMEs that had been functioning in Dar es Salaam for at least 12 consecutive months before their creation. According to URT (2012) and Magembe (2019), the Dar es salaam region has 405,902 SMEs. This figure was used as the study's population.

3.3 Sample, Sampling and Data

Data was gathered from Dar es Salaam-based SMEs. The estimated sample size of 400 SMEs was determined using Singh and Masuku's (2014) statistical table. The sample was chosen using a multistage sampling approach. The three strata (micro, small, and medium enterprises) were selected using a stratified random sampling technique in the first step, and then a simple random sample proportional to the size of each stratum was obtained in the second stage. Second, these SMEs were arbitrarily chosen to represent each stratum. Because some SME owners may be unwilling to engage in the study, a convenience sample technique was used (Kwanum & Luper, 2012). The data was collected from the selected SMEs.

3.4 Data Analysis

The statistical computer language R was used to analyze the data in this research (R core Team, 2021). The study used the Structural Equation Model (SEM) technique to test the previously stated prior hypothesis. The SEM was used to test the statistical relationship between the observable variables and their underlying latent variables. The researchers postulated the association pattern before testing the hypothesis statistically using knowledge from evaluated empirical research and the theory of planned behaviour. Chapman & Feit, (2019), provide additional details on how to conduct SEM in R.

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4. RESULTS AND DISCUSSION

4.2 Profile of Respondents

A total of 550 surveys were issued to SMEs, and 335 were returned fully completed, giving a response rate of 60.9%. As a result, 335 questionnaires were used in the final analysis of this study. The respondent consists of 73.7% male and only 26.3% of female. The age of majority of respondents was between 25 to 35 years old (59.5%) while 25.6 % were below 25 years old and 14.9% were above 40 years old. 50.5% of respondents had no previous work experience before starting the business while 49.5% had work experience before involving in business. A total of 50.5% of respondents had secondary education, 25.2% had primary education, and 24.3 % had tertiary education. Consistent with ethnic differences in Dar es salaam, most of the respondents were from Tanzania 89.9%, 5.5% were Indians, 2.9% were Chinese and 1.7 % others.

4.2 Reliability and Validity

Table 1 indicates the measuring items' reliability. It was determined by evaluating the internal consistency of their structures using the R program psych package (Revelle, 2019). The Cronbach's Alpha for all factors was more than 0.7 which indicates the appropriate reliability (Al-Dhaafri, Al-Swidi, & Yusoff, 2016).

Table 1: Measuring Items' Reliability

Factor	Factor code	Reliability of the factor(α)	Item	Item Code	Reliability of the item(α)
Enterprise Risk management	ERM	0.83	Our company has a plan in place for dealing with big risks that could hurt its performance.	rm1	0.79
			We use established procedures for assessing significant risks and opportunities.	rm2	0.89
			We do regular risk and opportunity assessments to determine how they should be managed.	rm3	0.9
Objective setting	OS	0.8	To achieve my goals, I have to be willing to take risks, which in turn affects the entity's risk tolerance levels.	o1	0.79
			I establish and convey explicitly the company's risk policy and risk appetite.	o2	0.82
			I set and communicate risk tolerance thresholds or limits for all-important risk categories.	o3	0.78
Internal environment	IE	0.7	The internal environment of a corporation provides a suitable foundation for RM	t1	0.81

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			The "tone from the top" conveys an appropriate message about the critical nature of RM in a company.	t2	0.8
			The government is actively involved in risk management activities.	t3	0.76
Monitoring	MT	0.71	My organization has a defined monitoring procedure in place to determine the presence and operation of risk activities, identifying, assessing, and responding to possible risk occurrences.	m1	0.78
			All risk actions are monitored continuously.	m2	0.74
			Continuous monitoring of all risk operations adapts quickly to changes in the business and operating environment.	m3	0.74
Event Identification	EI	0.77	I perform the event identification process regularly.	e1	0.9
			I think of things that might happen that might hurt the entity's ability to reach its goals	e2	0.79
			I distinguish risk events that can potentially have a negative impact	e3	0.89
Information and Communication	IC	0.72	My organization has a way to record, update, and communicate important risk information in the best way and at the right time.	i1	0.9
			My organization has a system in place that allows people who own risks and people who work for the company to report risks that might have happened or happened in their area of responsibility	i2	0.9
			Risk-related data and actions are made public and accessible to the organization's appropriate workers.	i3	0.9
Risk Response	RR	0.73	My company chooses the best risk response options for each risk event, which could be to avoid, mitigate, share, or accept the risk	s1	0.7
			The risk owners recommend and the competent authority or board committee approves the risk response.	s2	0.71
			I review and update the risk response regularly	s3	0.73
Risk Assessment	RA	0.71	I evaluate each potential risk event to determine the likelihood of its occurrence.	r1	0.79

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			I figure out how each risk event could affect the organization if it happened, and I do this for each event	r2	0.7
			I perform a formalized risk assessment process regularly.	r3	0.78
SMEs performance	FP	0.8	Return on asset	p1	0.77
			Sales growth	p2	0.78
			Profitability	p3	0.78
			Improve production cost	p4	0.8
			Improve work productivity	p5	0.79
			Customer Satisfaction	p6	0.77
			Growth of the number of customers	p7	0.77
			Employees satisfaction	p8	0.78
			Organization reputation	p9	0.79
			Quality in product and services	p10	0.79

4.3 Assessment of Hypothesis

The assumption of normality was verified before fitting the SEM to the data. The average, standard deviation, skewness, and Kurtosis of each item were calculated as shown in Table 2. The data were normally distributed, as recommended by Jiang and Kalyuga (2020) because the absolute values of skewness were 2 and kurtosis was 7. The parameter estimates in Table 3 and Figure 3 indicate the structural model's final results, which are compatible with the study hypotheses stated earlier. We summarized and published the critical model fit indices for the structural model. The model's statistics indicated that it fits the data effectively. The Root Mean Square Error (RMSEA) value of 0.026 and the Standardized Root Mean Square Residual (SRMR) value of 0.042 were both less than 0.08; the Comparative Fit Index (CFI) value of 0.958 and the Tucker-Lewis Index (TLI) value of 0.952 were both larger than 0.95. This suggested a satisfactory model fit (Bollen et al., 2008). Based on these results, we can conclude that all study hypotheses proposed earlier, are statistically supported.

The purpose of this study was to assess the effects of ERM on the performance of SMEs. The first hypothesis (H1) asserts that the components of ERM have a positive and substantial effect on ERM in SMEs, whereas the second hypothesis (H2) asserts that there is a significant association between ERM and SMEs' performance in Dar es Salaam. The model results in Table 3 revealed that the relationship between ERM and Objective setting (OS) and Information and Communication (IC), was not statistically significant. This finding is contrary to Beasley et al., (2008) who found the positive effect of objective setting on SMEs' performance. Other factors such as internal environment (IE), Monitoring (MT), Event Identification (EI), Risk Response (RR), and Risk

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Assessment (RA) were all had a signific influence on ERM at a 95% confidence level. These findings are consistent with Frau & Lutz, (2014) who found that the components of ERM allow SMEs' managements to set organisational mission, goals, and objectives which provide proper planning and monitoring.

The second hypothesis stated that ERMs significantly influence SMEs' performance. This was statistically significant the value of the coefficient of 1.18 indicates that if other factors remained constant, each unit improvement of ERM would increase 1.18 units in SMEs performance. This is a clear indication that the better the ERM, the greater the performance of SMEs. In general, the study found that ERM was the germane factor for SMEs' performance in Dar es Salaam. The findings back up research done in other places such as Beasley et al., (2008), Yakob et al., (2019), and Rehman & Anwar, (2019).

The correlation coefficient between RM components, ERM, and the performance of SMEs is shown in Table 4. The results demonstrated an optimistic correlation between risk management components and ERM. This relationship indicates that the more firms are involved in risk management the higher the business performance substantial association between ERM and firm performance (0.9) suggested that ERM had an impact on SME performance.

Table 2: Means, Standard deviation, Skewness, and Kurtosis of questionnaire Items

Item	mean	Standard Deviation (SD)	skewness	kurtosis
rm1	3.14	0.92	-0.06	-0.19
rm2	2.81	0.9	0.15	-0.13
rm3	2.93	0.85	0.04	-0.37
o1	3.13	0.96	-0.13	-0.29
o2	2.61	0.9	0.1	-0.34
o3	3.13	0.93	0.01	-0.18
t1	3.06	0.97	-0.15	-0.54
t2	3.05	1.02	0.05	-0.37
t3	3.02	0.97	0	-0.39
m1	2.92	0.91	-0.05	-0.24
m2	3.01	0.82	0.2	-0.07
m3	2.7	0.76	0.35	-0.02
e1	2.92	0.89	0.07	-0.09
e2	2.95	0.97	0.01	-0.41
e3	3.16	1.01	-0.05	-0.44
i1	2.74	0.77	0.2	-0.05
i2	3.08	0.96	0	-0.49
i3	3.1	0.99	0.02	-0.41
s1	2.8	0.88	-0.05	-0.23
s2	3.04	0.82	0	0.24

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s3	3.22	0.95	0.01	-0.5
r1	2.77	0.83	0.11	0.06
r2	2.69	0.87	0.27	0.09
r3	2.67	0.91	0.13	-0.14
p1	2.9	0.92	0.07	-0.37
p2	3.19	0.86	-0.1	-0.22
p3	2.77	0.91	0.24	-0.43
p4	3.1	0.95	-0.18	-0.35
p5	2.73	0.86	0.13	-0.24
p6	2.91	1	0.16	-0.62
p7	2.97	0.9	-0.07	-0.3
p8	3.3	0.95	-0.23	-0.38
p9	3.23	0.87	-0.08	-0.44
p10	2.86	0.89	0.13	-0.16

Table 3: Structural Model Assessment Results

Structural Relationship	Estimate	Std.Err	z-value	P-value	Std.lv	Std. all
OS--------->ERM	0.029	0.062	0.463	0.644	0.032	0.032
IE----------> ERM	0.176	0.047	3.766	0.000	0.227	0.227
MT---------> ERM	0.196	0.074	2.635	0.008	0.230	0.23
IC----------> ERM	0.119	0.066	1.801	0.072	0.131	0.131
RR----------> ERM	0.173	0.064	2.711	0.007	0.192	0.192
EI----------> ERM	0.126	0.043	2.903	0.004	0.170	0.17
RA----------> ERM	0.23	0.062	3.711	0.000	0.273	0.273
ERM-------->PF	1.185	0.14	8.454	0.000	1.010	1.01

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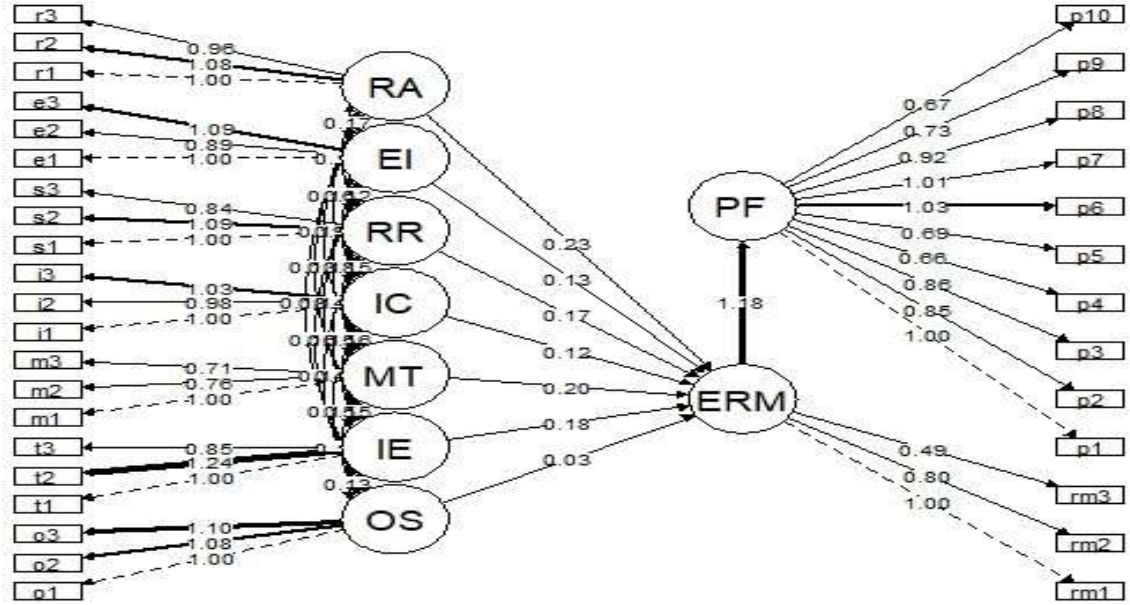

Figure 3: Coefficient of the structural model

Table 1: Correlations between the latent variables

	OS	IE	MT	IC	RR	EI	RA	ERM	PF
OS	1								
IE	0.38	1							
MT	0.535	0.409	1						
IC	0.506	0.44	0.516	1					
RR	0.473	0.437	0.544	0.516	1				
EI	0.431	0.338	0.461	0.46	0.337	1			
RA	0.55	0.358	0.575	0.499	0.454	0.443	1		
ERM	0.622	0.63	0.747	0.679	0.68	0.612	0.731	1	
PF	0.628	0.636	0.754	0.685	0.686	0.618	0.738	0.9	1

4. CONCLUSION

The goal of this research was to investigate the impact of ERM practices on the performance of SMEs in Dar es Salaam. The results indicated that the components of ERM influence ERM. Moreover, the ERM significantly and positively contributes to SMEs' performance in Dar es Salaam. The findings indicate that this study is consistent with past research (Hanggraeni et al., 2019; Callahan & Soileau, 2017; Tang et al., 2007: Linton & Kask, 2017). Additionally, this study makes a significant contribution by focusing on small and medium-sized enterprises, particularly in the Dar es Salaam region, which is rarely disclosed by most researchers. ERM practices implementation in SMEs is a relatively unexplored area of research, and the majority of SMEs

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have not considered this approach yet. So, this study needs to include risk management because the way SMEs look at and manage risk has a big impact on how well they run their business.

This study, particularly targeted at SMEs in Dar es Salaam, may contain industrial and geographic biases. Before generalizations can be made, more research is needed to look at how ERM and firm performance are linked in other parts of Tanzania. Additionally, considering the scarcity of theoretical studies on SMEs in Tanzania at the time, some of the study hypotheses proposed are tentative and may not properly reflect the Tanzanian situation. Future studies can put more emphasis on hypotheses established in the context of Tanzania's business environment. In addition, future research can include additional risk sub-variables to make the research more extensive in analyzing the risk that would have an impact on the success of business operations. Nonetheless, this study represents a significant step in conducting a systematic assessment of the relationship between ERM and the performance of SMEs in Tanzania, therefore contributing knowledge to this essential field of research.

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