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**RISK MANAGEMENT STRATEGIES
IN STARTUPS AND SMALL AND
MEDIUM-SIZED ENTERPRISES IN
NEPAL**

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ABSTRACT

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Startups and small and medium-sized enterprises (SMEs) play a vital role in Nepal's economic development by driving innovation, employment, and local growth. However, they face significant challenges due to limited financial resources, infrastructural constraints, and regulatory uncertainty. Despite their importance, many of these businesses operate in a highly dynamic and uncertain environment without formal risk management systems. This study investigates how Nepalese startups and SMEs identify, assess, and manage risks, with the objective of understanding the gap between risk awareness and practical implementation.

The research applies to a quantitative cross-sectional design based on data collected from 103 respondents across various industries including manufacturing, retail, and technology. The study draws on internationally recognized frameworks such as ISO 31000 and the COSO Enterprise Risk Management (ERM) Framework. It also integrates context-specific theories including Entrepreneurial Orientation and Lean and Agile methodologies. Descriptive statistics, correlation, and regression analysis were used to interpret the data.

The findings reveal that while risk management is conceptually valued by most entrepreneurs, formal practices are limited and often confined to founders. Effective risk management was shown to positively influence business sustainability and performance. The study recommends practical, resource-sensitive strategies and training to enhance risk resilience among Nepalese startups and SMEs.

Keywords	Risk management, Startups, Small and medium-sized enterprises (SMEs), Nepal, Business risks, Risk mitigation, Business sustainability
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ABBREVIATIONS

SMEs	Small and medium-sized enterprises
OECD	Organization for Economic Co-operation and Development
FNCCI	Federation of Nepalese Chambers of Commerce and Industry
ISO	International Organization for Standardization
IFC	International Finance Corporation
IRM	Institute of Risk Management
ERM	Enterprise Risk Management
SWOT	Strength, Weaknesses, Opportunities and Threats
COSO	Committee of Sponsoring Organizations
PESTEL	Political, Economic, Social, Technological, Legal and Environmental factors
CBS	Central Bureau of Statistics
GDP	Gross Domestic product
3LOD	Three Lines of Defense
OLS	Ordinary Least Squares
RM	Risk Management
MOICS	Minister of Industry, Commerce and Supplies
%	Percentage

1 INTRODUCTION

1.1 Background of the study

Risk management has emerged as a critical yet often underappreciated aspect of running startups and small and medium-sized enterprises (SMEs). In today's dynamic and unpredictable business landscape, the importance of effective risk management strategies for startups and SMEs cannot be overstated. Startups and SMEs are essential drivers of economic development, innovation and employment across the globe. According to the organization for economic co-operation and development (OECD), SMEs constitute 99% of all businesses in OECD countries and employ nearly 60% of the workforce (OECD, 2023).

Nepal is slowly developing its startup ecosystem, ranking 5th in South Asia and 103rd globally in 2025, according to the latest available data from Global Startup Ecosystem Index by StartupBlink (StartupBlink, 2025). This ranking reflects Nepal's growing presence in the international startup landscape, even as it continues to develop its core infrastructure and digital capacity. In Nepal, these enterprises operate under unique constraints. A report by the Federation of Nepalese Chambers of Commerce and Industry (FNCCI, 2022) highlights that while Nepalese SMEs are pivotal to local economic growth, they face significant challenges such as limited financial resources, infrastructural bottlenecks, and a rapidly evolving regulatory framework. This local context amplifies the inherent risks, as many of these enterprises are not equipped with the robust risk management structures that larger organizations typically maintain.

Despite their vital role in fostering innovation and growth, startups and SMEs often experience high failure rates. Approximately 50% of startups collapse within five years of inception, with inadequate risk management practices frequently cited as a key contributing factor (Bureau of Labor

Statistics, 2024). Risk management is defined as the structured process of identifying, assessing and prioritizing uncertainties to minimize threats and capitalize on opportunities (Leitch, 2010). For smaller enterprises, this process is often more challenging compared to large corporations because of their limited access to resources, expertise, and established risk mitigation frameworks (Brinckmann et al., 2010).

The entrepreneurial ecosystem in Nepal is undergoing rapid transformation, marked by increased innovation and a surge in new ventures. This vibrant environment, while fostering creativity and new opportunities, also exposes these businesses to risks that can severely derail their success. The Ministry of Industry, Commerce and Supplies has conducted a study, which has shown that about 10.81% of all Nepali SMEs collapsed because of the pandemic, thus implying a sizeable number of SMEs existed before the pandemic (Verma, 2024). Also, a survey conducted by Nepal Rastra Bank (Nepal Rastra Bank, 2022) revealed that many Nepalese SMEs lack formalized risk management practices, leaving them particularly vulnerable to economic fluctuations, regulatory changes, political instabilities and natural disasters. Moreover, the limited financial buffers common among these enterprises further underscore the urgent need for risk management strategies that are both flexible and context specific (Ries, 2011). Similarly, another study has highlighted the challenges in adopting effective risk management practices, noting that resource constraints and a focus on rapid growth often hinder systematic risk mitigation efforts (Verbano & Venturini, 2013).

By integrating established frameworks such as the Risk Management Process Model, Entrepreneurial Orientation Theory, and Lean and Agile methodologies, this study aims to provide a comprehensive understanding of risk management within the context of Nepalese startups and SMEs. This study aims to systematically examine how these businesses identify, assess, and mitigate risks, thereby offering insights that are both academically robust and practically applicable. Ultimately, the re-

search will offer practical recommendations designed to enhance business resilience and promote sustainable growth, thereby contributing valuable insights to both academic literature and practical business strategies in Nepal.

1.2 Problem Statement

Startups and SMEs are vital contributors to economic growth, innovation and employment particularly in developing economies like Nepal. In Nepal, SMEs account for a significant share of the economy, yet they operate under unique challenges such as limited access to capital, inadequate infrastructure, and a volatile regulatory environment (World Bank, 2020). These challenges amplify the risks faced by these enterprises, making them particularly vulnerable to external shocks such as economic downturns, political instability, and natural disasters (Asian Development Bank, 2022).

Despite the growing recognition of risk management as a critical factor for business sustainability, many Nepalese SMEs lack formalized risk management practices. A study by the International Finance Corporation (IFC, 2019) found that only a small percentage of SMEs in developing countries, including Nepal, have structured risk management frameworks in place. This lack of preparedness leaves them exposed to uncertainties that can disrupt operations and threaten their survival. Furthermore, resource constraints and a focus on short-term growth often prevent these enterprises from adopting systematic risk mitigation strategies (Shepherd et al., 2021). As a result, many SMEs struggle to build resilience and capitalize on opportunities for long-term growth (World Bank, 2024).

1.3 Research Objectives

The main objectives of this study are:

1. To identify the most common risks faced by startups and SMEs in Nepal.
2. To analyze the effectiveness of different risk management strategies adopted by these businesses.
3. To assess the relationship between risk management practices and overall business performance.
4. To provide practical recommendations for improving risk management in startups and SMEs in Nepal.

In conclusion by addressing these objectives, this study aims to contribute valuable insights to the field of risk management in the context of developing economies like Nepal and it will offer the relevant information for entrepreneurs working in the complex environment of Nepal.

1.4 Research Questions

This thesis has a central research problem which is the limited knowledge of effective risk management strategies among startups and SMEs in Nepal and the effect of these on business performance. To address this problem, the following research questions will guide the study:

1. What are the main types of risks faced by startups and SMEs in Nepal?
2. What risk management strategies are most commonly used in these businesses?
3. How do risk management strategies impact the sustainability and growth of startups and SMEs?
4. What challenges do entrepreneurs face in implementing effective risk management strategies?

1.5 Significance of the Study

This research is significant for several reasons that can be explained under academic contribution, economic significance, unique challenges, policy implications, economic impact and professional development in the context of Nepal. By examining this specific context, the study adds to the academic conversation surrounding risk management in emerging economies. It addresses a gap in the current literature by concentrating on how Nepalese startups and SMEs approach risk management. This focus is particularly relevant given the substantial role these enterprises play in contributing to Nepal's GDP and job creation. Enhancing effective risk management capabilities can lead these businesses to improve economic stability and growth. Nepal's business environment presents unique challenges, including political instability, High borrowing costs, natural disaster risks etc. Understanding how businesses navigate these challenges is crucial. The findings of this research can help guide government strategies and programs designed to enhance the resilience and development of small businesses in Nepal. Furthermore, enhancing risk management practices can improve business sustainability and growth, ultimately contributing to the broader economic development of Nepal. This study will contribute to the professional development of entrepreneurs, business managers, and risk management professional in Nepal by providing insights and practical recommendations.

1.6 Scope and Limitations

This study focuses on startups and SMEs across various sectors in Nepal, such as technology, retail, manufacturing, and services. It employs a quantitative approach, primarily utilizing surveys distributed among Nepalese entrepreneurs, startups founders and SMEs managers to gather data on risk management practices. The study offers meaningful insights into how risk management is practiced in these business environments. The overall scope of the research is outlined as follows:

- **Geographical Focus:** The study is focused on startups and SMEs operating in Nepal.
- **Industry Coverage:** It covers multiple sectors including manufacturing, retail, technology, and services.
- **Research Methods:** The research employs a quantitative approach using surveys to gather data from entrepreneurs, startup founders, and SME managers.
- **Risk Categories:** This will include different areas of risks from financial to operational to strategic and even include some external risks as applicable in the very Nepalese context.

While the study aims to provide comprehensive insights, the study is limited to this geographical context and excludes large corporations and multinational enterprises. Additionally, external factors such as political instability and global economic trends are acknowledged but are not analyzed in depth. It is subject to several limitations:

- **Sample Size:** With a sample size of 103 respondents, the findings may have limited generalizability across all Nepalese startups and SMEs.
- **Data Bias:** There is a possibility of biased responses from survey participants, which may affect the accuracy of the data.
- **Dynamic Environment:** Nepal is going through extremely dynamic political and economic changes, so the findings and recommendations may have short shelf life and will require frequent revision.
- **Culture Factors:** The study may not totally capture or quantify the influence of culture factors on risk perception and management practices.

1.7 Key Concept and Definition

- **Risk management:** A structured approach used by organizations to identify, evaluate, and respond to potential threats that may hinder their operations or objectives (Aven, 2016).
- **Startups:** Entrepreneurial ventures in the early stages of development, typically focused on innovative solutions and aiming for rapid market expansion.
- **Small and medium-sized enterprises (SMEs):** Businesses that operate on a smaller scale with limited financial and human resources but play a critical role in fostering economic growth, especially in developing economies.
- **Financial risks:** Challenges related to financial stability, including issues with funding access, cash flow fluctuations, and credit exposure.
- **Operational risks:** Internal and external risks that arise from business operations, such as supply chain interruptions, system failures, or staffing constraints.
- **Regulatory risks:** The possibility of negative impacts due to changes in laws, regulations, or policy enforcement that an organization must comply with.
- **Strategic risks:** Risks that influence an organization's ability to fulfill its long-term mission, including shifts in market conditions or ineffective strategic planning.

1.8 Structure of the Thesis

This thesis is organized into the following chapters:

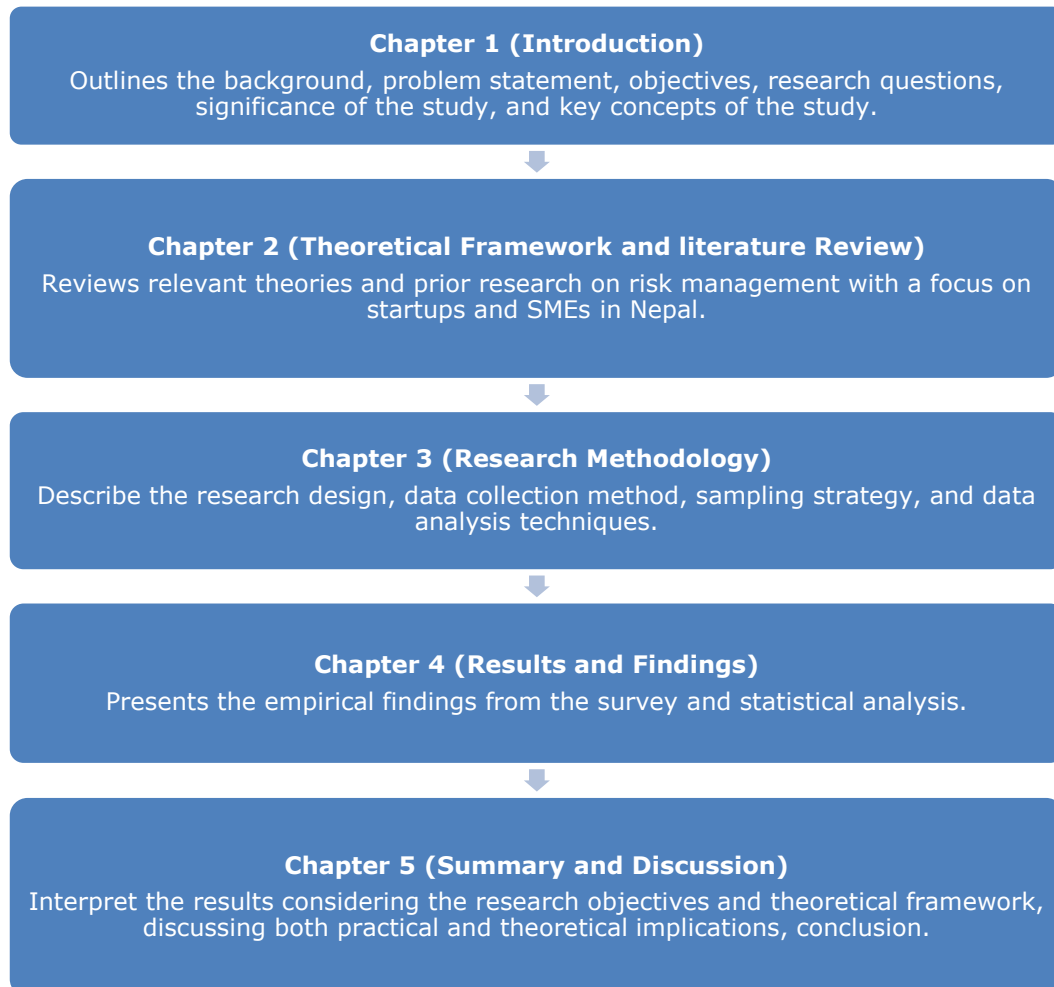


Figure 1. Structure of the Thesis

2 THEORETICAL FRAMEWORK AND LITERATURE REVIEW

2.1 Risk Management Theories and Models

This section delves into the foundation concepts that support this study, providing key definitions and classifications that establish the framework for this study. Understanding the concepts of "risk" and "risk management" is essential, as they play a crucial role in minimizing potential negative consequences and leveraging opportunities in uncertain business environments.

Firstly, we must understand 'What is risk?' In simple terms, risk refers to the potential for an adverse event or outcome to occur (Cambridge Dictionary, 2025). It involves uncertainty regarding how a particular action or event may affect something of value such as personal health, financial assets, environmental safety, or societal well-being often with an emphasis on possible negative impacts. Although various definitions exist across disciplines, a widely recognized interpretation, provided by international standards, describes risk as the uncertainty that may influence the achievement of specific goals or objectives. The International Organization for Standardization (ISO) defines risk as the combination of the consequences of an event and the associated likelihood of occurrence. This definition underscores that risk is not solely about adverse effects but also about variability in outcomes that can impact goals (ISO, 2018). For the Business, risk refers to the effect of uncertainty on an organization's objectives, encompassing both potential negative outcomes (threats) and positive outcomes (opportunities). Organizations use various risk management strategies to address and control business-related risks. These strategies may include proactive measures based on experience or intuition, adherence to established regulations and industry standards, or the use of financial tools such as insurance. Enterprise risk management (ERM) in particular refers to a structured

approach that combines policies, procedures, and practices to identify and respond to risks while also recognizing opportunities that support the achievement of strategic goals.

More broadly, risk management refers to a deliberate and organized process through which organizations detect potential threats, assess their likelihood and possible consequences, and implement actions to reduce or prevent adverse outcomes. This approach includes evaluating the severity of risks, formulating response plans, and tracking the success of those actions over time. When implemented effectively, risk management helps organizations remain resilient, achieve better outcomes, and make more informed and confident decisions.

Risk management plays a vital component of business operations, particularly for startups and SMEs that operate in rapidly changing environments. With limited resources, startups and SMEs are at a higher risk. They can gain maximum protection of their assets, financial stability, and enhanced decisions through effective risk management. As a systematic process that involves identifying, assessing, mitigating, and monitoring potential events risk management could adversely impact an organization's ability to achieve its objectives despite uncertainty.

2.1.1 Overview of Risk Management Concept

Risk management has long been a key area of interest among business professionals, researchers, and many scholars due to its crucial role in handling uncertainty in organizations. As Aven explains, Risk management involves systematically recognizing potential risks, evaluating their impact, and implementing strategies to control or minimize these risks to protect an organization's resources and operations (Aven, 2016). It helps organizations not only protect their assets but also make more informed decisions in the face of uncertainty.

Risk management is approached through various theoretical lenses, each tailored to specific contexts such as financial risk, enterprise-wide

risk, supply chain disruptions, or project uncertainties. As noted by (Hopkin, 2017), establishing a universally agreed-upon definition of risk management remains challenging due to its diverse applications. In this study, key concepts and processes from selected risk management theories are examined to build a foundational understanding. The framework is guided by standards from the International Organization for Standardization (ISO), with a particular emphasis on the risk treatment component of the risk management process as it applies to startups and SMEs.

The primary purpose of risk management is to support organizations in shaping their strategies, achieving their goals, and making well-informed decisions (ISO, 2018). It encompasses how organizations respond to various forms of risk in pursuit of their objectives (ISO, 2009). Historically, risk management focuses mainly on minimizing hazards and limiting potential losses. It was typically seen as a reactive approach aimed at reducing damage.

In contrast, the modern view of risk management extends beyond just risk avoidance. It encourages organizations to embrace strategic risks that can lead to growth when properly assessed. Rather than merely avoiding danger, businesses are now encouraged to take risks that are aligned with their capabilities and objectives, risks that have the potential to bring competitive advantage (Cagliano et al., 2015). The goal is to create value by either improving expected outcomes or decreasing the uncertainty surrounding them.

Core Elements of Risk Management

The risk management process is typically structured around four key elements according to (Institute of Risk Management, 2002):

- 1. Identifying Risks:** This first stage involves systematically recognizing and documenting potential risks that could affect the

organization. It includes identifying events or situations that may have occurred or could arise in the future.

- 2. Assessing Risks:** After identification, each risk is examined to determine its likelihood of occurrence and the potential severity of its consequences. This evaluation helps prioritize which risks require immediate attention.
- 3. Responding to Risks:** In this phase, decisions are made about how to address each identified risk. Possible strategies include avoiding the risk altogether, accepting it, mitigating its probability or impact, or transferring the risk for example, by using insurance.
- 4. Monitoring and Reviewing:** Risk management is not a one-time activity. This final phase ensures that the strategies in place continue to be effective by continuously tracking changes in risks and adjusting responses as needed.

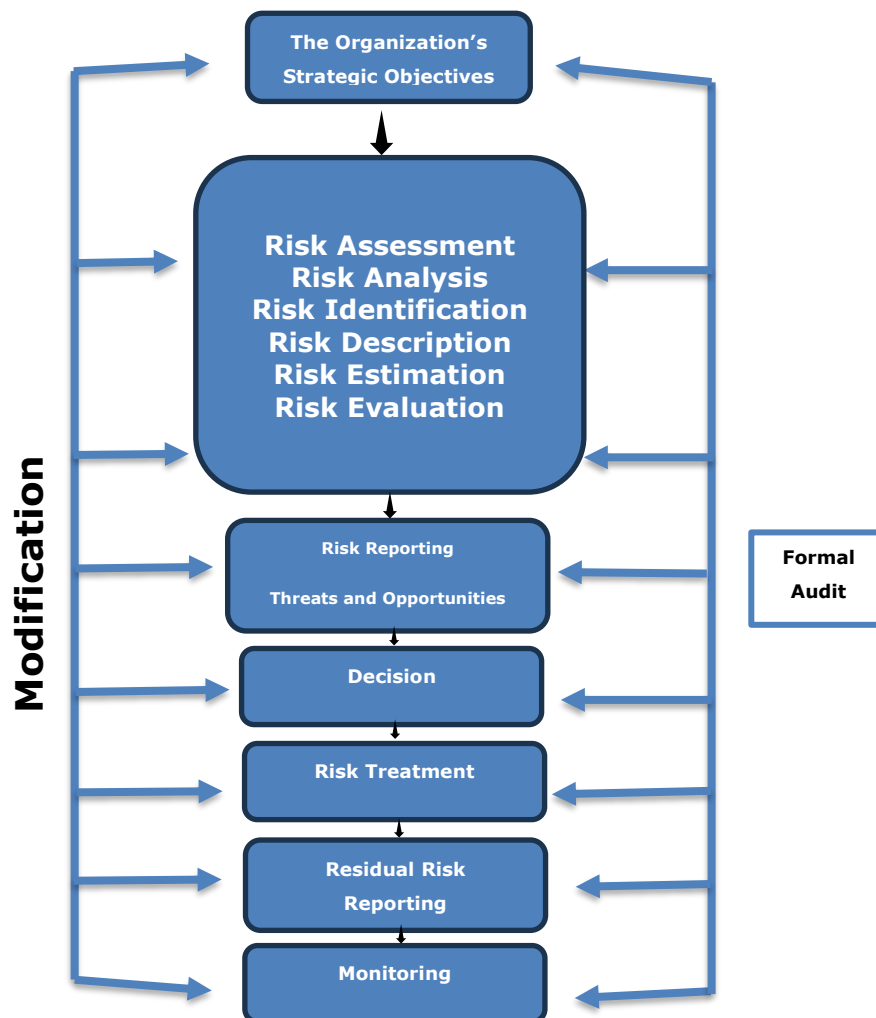


Figure 2. The Risk Management Process (IRM, 2002)

The risk management process, according to the Institute of Risk Management (IRM, 2002) as shown in the figure, starts with defining the organization's strategic objectives. It then involves a cycle of risk assessment analysis, identification, description, estimation, and evaluation, reporting potential threats and opportunities, decision-making, implementing risk treatment strategies, reporting on remaining risks, and continuous monitoring. The process can be modified and is subject to formal audits for effectiveness.

2.1.2 COSO Enterprises Risk Management (ERM) Framework

The COSO Enterprise Risk Management (ERM) framework gives organizations a complete approach to link risk management with their goals

and performance. Unlike older methods that handled risks in separate departments, ERM brings everything together into one system that looks at risks across the whole business (Bensaada & Taghezout, 2019). It helps companies spot, assess, and manage possible problems that could stop them from reaching their objectives.

The COSO framework was created by the Committee of Sponsoring Organizations of the Treadway Commission. Its 2017 update introduced five interconnected components that form the backbone of ERM:

1. Governance and Culture: This element sets the tone for risk management by ensuring leadership oversight, promoting ethical behavior, defining structures and responsibilities, and building a workforce committed to risk awareness. For startups and SMEs, fostering a strong risk culture early can lead to more responsible decisions and long-term resilience.

2. Strategy and Objective-Setting: Risk management is integrated into business planning and strategy formulation. Organizations assess internal and external environments, clarify their risk tolerance, and align objectives with their overall mission. For smaller firms, embedding risk thinking into strategy helps them proactively address challenges that could hinder innovation or sustainability.

3. Performance: This component focuses on how risks are identified, prioritized, and addressed in real time. It promotes the development of practical responses and ongoing monitoring. For startups and SMEs operating with limited resources, it is especially important to focus on risks with the highest potential impact on operations.

4. Review and Revision: Risk management must evolve with changing circumstances. This section highlights the need for regular evaluations, updates to risk strategies, and continuous learning. Agile review processes are essential for small businesses that must remain flexible in dynamic markets.

5. Information, Communication, and Reporting: Effective communication ensures that risk-related insights flow throughout the organization. Leveraging data and technology to report on risks and performance allows leadership to make informed decisions. Startups and SMEs benefit from clear internal communication, which improves transparency and trust across the organization.

By applying these five principles, organizations develop a risk-conscious culture and gain the ability to make informed, strategic decisions. For startups and SMEs, the COSO ERM Framework can enhance long-term planning, improve adaptability, and foster stakeholder confidence. Although the framework is designed to be comprehensive, smaller enterprises can adapt it to fit their resources prioritizing high-impact risks, phasing in implementation, and integrating risk practices into current operations. With a tailored approach, even resource-limited firms can enhance their ability to handle uncertainty and support sustainable success.

2.1.3 ISO 31000 Framework

ISO 31000 is an international guideline created to help organizations manage risk in a clear and consistent way. It was first introduced in 2009 by the International Organization for Standardization (ISO). The main idea behind these standards is to make the language and process of risk management easier to understand and apply. They were made to fit smoothly into existing management systems. The updated version from 2018 encourages organizations to include risk management in their overall strategy, with strong support from leadership and involvement at all levels of the company (ISO, 2018).

ISO 31000 was updated in early 2018 to offer clearer and more strategic guidance than the 2009 version. The new version puts more focus on involving top management and making sure risk management is part of everyday business activities. This updated standard, known as ISO 31000:2018, was officially approved and most recently confirmed in

2023, meaning it is still valid today. It outlines key principles and gives practical advice on how to build and use a risk management system. The process can be used in any type of activity, including making decisions at different levels of an organization.

In today's rapidly evolving and uncertain environment, organizations of all sizes and industries must contend with risks that can either hinder their progress or create new opportunities. The ISO 31000 framework offers structured guidance to help institutions effectively manage these uncertainties.

- **Shared Risk Awareness:** ISO 31000 promotes a unified understanding of risk throughout the organization, ensuring that everyone from upper level to lower level e.g. leadership to staff has clarity regarding what risks are and how they should be managed.
- **Support for Strategic Planning:** The standard encourages the integration of risk management into all key organizational functions, including governance, strategic planning, performance monitoring, and culture-building activities.
- **Improved Operational Performance:** By identifying risks early, ISO 31000 enables organizations to optimize the use of their resources, respond more efficiently to emerging issues, and build confidence among internal and external stakeholders.
- **Forward-Thinking Risk Response:** Unlike reactive approaches, ISO 31000 advocates for anticipating potential threats and managing them proactively, transforming risks into opportunities for improvement and competitive advantage.
- **Enhanced Stakeholder Trust:** A systematic risk management framework reassures investors, partners, and customers that the organization is resilient and prepared to deal with unexpected challenges, thereby strengthening its reputation and reliability.

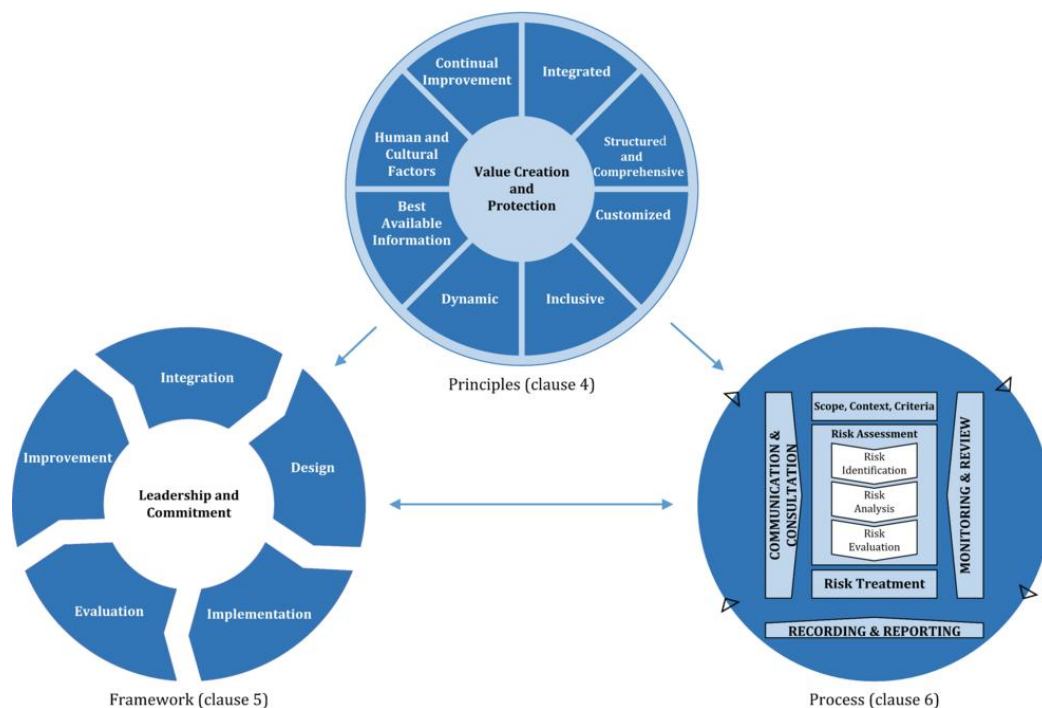


Figure 3. Principles, framework and Risk Management process from ISO 31000

The ISO 31000 framework is made up of three main parts: principles, framework and process.

1. Principles

The foundation of the framework is built on eight key ideas that help guide effective risk management:

- It should be part of everything the organization does (integrated)
- It needs to be clear and organized (structured and comprehensive)
- It must be adapted to the organization's needs (customized)
- It should involve the right people (inclusive)
- It must respond to changes (dynamic)
- It relies on good, reliable data (best available information)
- It considers people and culture (human and cultural factors)
- It should always be getting better (continual improvement)

2. Framework

This part explains how an organization should set up risk management. It includes:

- Leadership and support from management
- Making sure risk management is part of all areas of work
- Planning how the system will look
- Putting the plan into action
- Checking how it's working
- Making changes to improve it over time

3. Process

The process section lays out the steps for managing risk:

- Start by setting the context
- Then assess the risks (find them, study them, and judge how serious they are)
- Decide how to handle the risks (treatment)
- Keep communication open and involve the right people
- Review and monitor everything to stay up to date

These interconnected components work together to create a coherent and effective approach to risk management that can be tailored to organizations of all types and sizes. Additionally, the article published by Global Suit Solution discusses the benefits of implementing ISO 31000 can yield several benefits for organizations, including enhanced decision-making, protection of assets and reputation, regulatory compliance, and improved competitiveness and growth (Global Suite Solutions, 2023). It's important to note that ISO 31000 is not intended for certification purposes but serves as a guideline to improve risk management practices within an organization.

For startups and SMEs, this framework can be tailored to fit their specific needs and resource constraints, allowing them to focus on the most critical risks affecting their operations.

2.1.4 Other relevant Frameworks and Models

Startup businesses along with SMEs can use ISO 31000 and COSO ERM models to manage uncertainty through risk management because these frameworks offer both structured analysis and scalable solutions within their unique resource challenges and dynamic operating conditions. Organizations can perform environmental scanning for better decisions through a combination of other relevant frameworks and models which can add more value to this study:

- **Risk Management Process Model:** This model provides a structured, step-by-step approach for identifying and managing risks, adapted to the needs of startups. It typically involves risk identification, risk assessment, risk treatment, monitoring and review. Startup environments with limited resources can use this process which follows the ISO 31000 framework. This systematic risk management process helps Nepal-based firms achieve both quick decision-making as well as sustained performance by early identification of threats.
- **Entrepreneurial Orientation Theory:** The theory analyzes the natural attributes of entrepreneurial businesses which incorporate their willingness to take risks and their ability to innovate and act ahead of competition in dynamic situations. It emphasizes how traits such as innovativeness, risk-taking, proactiveness, competitive aggressiveness, and autonomy contribute to startup performance and enhance overall competitiveness in dynamic environments (Lumpkin & Dess, 1996). This theory evaluates the traits of entrepreneurial firms which help enhance startup performance and general market competitiveness.
- **SWOT and PESTEL Analyses:** SWOT analysis serves as a tool to determine organizational strategy positions in the initial stages of decision-making processes by identifying both favorable and adverse internal and external factors for goal achievement. SWOT

analysis helps organizations evaluate their internal strengths and weaknesses which identify internal capabilities and limitations as well as external opportunities and threats that assess external factors that could provide competitive advantages or pose risks.

The PESTEL analysis provides businesses with macro-environmental factor perspectives which determine market conditions and business standings and operational potential directions. A local SME might use SWOT analysis to identify internal process strengths and resource limitations, then apply PESTEL analysis to understand external market dynamics forming the basis for targeted risk treatments.

- **Contingency Theory:** Contingency theory explains that there is no universally optimal approach to managing risk. Instead, effective risk management depends on aligning strategies with the unique circumstances, environment, and needs of each organization. Factors such as industry, size, culture, and environment all influence which risk responses are most effective. For startups and SMEs in Nepal, local conditions like regulatory frameworks, market volatility, cultural factors, and resource constraints demand customized risk management solutions. Instead of adopting a one-size-fits-all model, these firms should assess their unique circumstances and tailor their risk responses accordingly (Bowers & Khorakian, 2014).
- **Lean and Agile Methodologies:** These approaches are highly relevant for managing risk in startups and SMEs, as they promote adaptability, rapid iteration, and responsiveness to change. Through the lean startup framework users develop basic products for market evaluation and adapt their offerings through customer responses. Agile practices share similar principles with both flex-

ibility and change-responsive approaches. Both approaches enable startups to respond quickly to customer needs, market shifts, and operational challenges, making them well-suited for high-risk and uncertain environments (Al-Zehhawi & Abumandil, 2021).

- **The Three Lines of Defense Model:** The Three Lines of Defense Model established frameworks to describe risk management relationships between business operations and internal audit and organizational responsibilities (Institute of Internal Auditors, 2020). This model exists "to assure the effective and transparent management of risk" through transparent accountability definitions. The Three Lines of Defense (3LOD) model is a practical tool for clarifying roles and responsibilities in risk management. It divides risk management into three distinct "lines":

First Line – Operational Management: Staff members as well as managers must identify and regulate risks within their operational responsibilities.

Second Line – Risk and Compliance Functions: Risk management assistance is provided to the first line through frameworks policies and monitoring systems which these functions develop and support.

Third Line – Internal Audit: The third line assurance function performs an independent analysis of risk management and organization control systems to evaluate first- and second-line performance.

2.2 Overview of Startups and SMEs in Nepal

Startups and SMEs are the backbone of the Nepali economy, contributing significantly to employment, innovation, and economic growth (Nepal Rastra Bank, 2023). They are characterized by their smaller size in terms of employment, capital, and turnover compared to larger enterprises, and they operate in diverse sectors, including agriculture,

manufacturing, and services (Khatri, 2020). Startups, often technology-driven, are emerging as a dynamic force within the SME landscape, introducing innovative solutions to address local challenges.

In the last several years, the Nepalese economy has been ruled by micro, small, and medium-sized enterprises (MSMEs). Over 95% of businesses in Nepal belong to this sector, so they are an indispensable part of the nation's economic arrangement (United Nations, 2020). Though Nepal only has around 1,100 large industries employing some 150,000 employees, smaller companies are the drivers of the economy. SMEs have been found to contribute 22% of the country's Gross Domestic Product (GDP) and are a source of jobs for approximately 1.7 million people (Nepal Rastra Bank, 2019). However, these enterprises face significant challenges, particularly in the wake of the COVID-19 pandemic. A study by the Ministry of Industry, Commerce and Supplies found that 10.81% of all Nepali SMEs collapsed due to the pandemic. Hence, SMEs are essential contributors to economic stability and development. They help keep the economy running while also creating jobs, reducing poverty, and increasing the country's overall productivity. SMEs enhance the productive capabilities of an economy, help minimize disparities in income distribution, and allow broader access to the benefits brought by globalization and technological advancement (OECD, 2019). These businesses enable economies to adopt and leverage emerging technologies and drive structural transformation. Because of their important role in inclusive and sustainable economic progress, employment generation, and innovation, SMEs are recognized as key enablers in achieving the United Nations' 2030 Sustainable Development Goals (SDGs).

One of the advantages SMEs have over larger organizations is their flexibility and openness to change, which allows them to adapt to innovation more easily. However, this adaptability is often hindered by significant barriers. In countries like Nepal, the financial system primarily depends on collateral-based lending, making it difficult for small businesses to secure funding. Moreover, these enterprises often face limitations in

technical knowledge, entrepreneurial capacity, and access to modern technologies. Engaging in innovative practices can also be risky for small firms, especially when they lack financial reserves to absorb potential failures. As a result, many SMEs are hesitant to invest in innovation due to the associated uncertainties and resource constraints.

In Nepal's economy play a vital role in Nepal's economic development. They make a significant contribution to the country's GDP and are a major source of employment, especially in rural communities where job opportunities are limited (MOICS, 2020). In addition, Nepali startups drive innovation and entrepreneurship, contributing to the diversification and competitiveness of the national economy (Khanal, 2021).

The Industrial Enterprises Act (2076) of Nepal categorizes industries based on their capital investment, workforce size, and technological nature (Government of Nepal, 2020):

- **Micro-enterprises** typically operate with very limited capital (under NPR 2 million), involve active participation by the owner, and employ no more than nine people. Their yearly revenue is capped at NPR 10 million, and they use low electricity (20 KW or less).
- **Cottage industries** rely on traditional craftsmanship and local knowledge. These are labor-intensive businesses that often use locally sourced raw materials and preserve cultural heritage, operating with electricity usage below 50 KW.
- **Small industries** are defined by a capital investment of up to NPR 150 million but exclude those already defined as micro or cottage industries.
- **Medium industries** fall between NPR 150 million and NPR 500 million in fixed capital.

- **Large industries** exceed NPR 500 million in fixed capital investment.

This classification reflects the diverse industrial structure in Nepal and helps determine policies and support mechanisms tailored to different business sizes and capacities.

Startups in the Nepalese Context

There is no government definition of a startup business in Nepal, as a result, it is not possible to segregate startups business from the NEC 2018 survey data conducted by the Central Bureau of Statistics (The National Economic Census, 2018). However, for the sake of simplicity, start-ups in Nepal can be defined based on following:

- Number of employees
- Years since registration
- Capital structure, and revenue generated
- Innovation, research and development
- Scalability possibility
- Not a subsidiary of the parent company

Start-ups in general have both high uncertainty and high failure rates. Even though some of the conceptual startups business ideas have, at least theoretically, huge potential for scalability and growth, but eventually fail due to several factors such as access to the market, finance, expertise, compatibility in the market, consumer acceptance, institutional and legal frameworks, among others (Khairajani, 2024).

2.3 Previous Research on Risk Management Strategies in Nepalese SMEs

S.N.	Articles	Reference
1.	Marketing Strategy for Startup Engineering Consulting Companies in Nepal	(Shrestha, 2021)
2.	Assessing the Contributing Factors for the Success of Small and Medium-Sized Businesses in Nepal	(Khadka et al., 2025)
3.	Start-Up Businesses and Micro, Small and Medium Enterprises in Nepal: A Policy Perspective Kathmandu, Nepal	(Khanal, 2023)
4.	Development Of Entrepreneurship Culture; Great Challenge for Developing Countries, Experience from Nepal	(Chalise, 2014)
5.	Application of Digital Media as a Marketing Tool amongst Nepalese Start-ups: Case Company: Kritya Hub	(Dhakal & Mainali, 2021)
6.	Mapping Innovation Support Programmes for Micro, Small and Medium Enterprise Development	(Singh & Kharel, 2023)
7.	Major Challenges Facing Small and Medium-Sized Enterprises in Asia and Solutions for Mitigating Them	(Yoshino, 2016)
8.	Risk Management and Efficiency of Works: A Study of Nepalese Cooperative Societies	(Paudel, 2021)

Table 1. Previous Research on Risk Management Strategies in Nepalese SMEs

2.4 Summary of Literature Review and Research Gap

Startups and SMEs are very important to Nepal's economy because they generate employment, fostering innovation, and contribute significantly to the national GDP. However, many of these businesses lack a strong understanding of how to manage risks effectively, which can lower down their performance and long-term sustainability.

The above reviewed literature in section 2.3 provides important insights into various aspects of startups and SMEs in Nepal, ranging from marketing strategies and entrepreneurship culture to policy perspectives and innovation programs. These studies offer a solid foundation for understanding the broader challenges and opportunities that small and growing businesses face in the Nepalese context.

(Shrestha, 2021) studied how startup engineering consulting firms in Nepal use marketing, pointing out that having a clear position and interacting with customers is vital to succeed in a crowded field. Dhakal and Mainali (2021) studied startups and found that using social media and other digital platforms helps them promote what they sell without spending much money. They explain important aspects of how a startup functions but not how they tackle risks in the dynamic environment.

Khadka et al. (2025) identified key factors contributing to SME success in Nepal, such as access to finance, innovation, and skilled human resources. While this study touches on important enablers of business performance, it lacks a detailed discussion on how risk management practices influence or support these success factors.

Khanal (2023) presented a brief overview of how Nepal supports micro, small and medium enterprises (MSMEs) and described existing frameworks and institutions that help them. Similarly, Singh and Kharel

(2023) discussed innovative programs created to promote MSME development, with a focus on support. Their studies mainly focused on policy creation instead of practical risk management at businesses.

Chalise (2014) addressed the challenge of building an entrepreneurial culture in Nepal, pointing out that cultural and social factors often hinder business development. This aligns with Paudel's (2021) findings in the cooperative sector, where poor risk handling negatively affected operational efficiency. While this signals a need for stronger risk management systems, the focus was on cooperatives rather than startups or SMEs.

Yoshino (2016) took a broader regional view, discussing major challenges facing SMEs in Asia and potential solutions, such as better access to finance and technology. While relevant, the study did not explore how these challenges are managed through structured risk management approaches within the Nepalese context.

In summary, the existing literature explains several reasons for the growth and sustainability of startups and SMEs in Nepal, there is a clear gap when it comes to understanding how these businesses identify, assess, and manage risks. Most researchers concentrate on outside influences or factors that lead to success, but not on how internal strategies manage risks. This issue is made worse when businesses in Nepal face uncertainty as well as a lack of key resources.

Therefore, this study aims to fill the gap by examining the current risk management strategies used by startups and SMEs in Nepal, identifying best practices, and recommending context-specific improvements to support business sustainability and growth.

The research study is based on these four questions:

What are the main types of risks faced by startups and SMEs?

Many studies list different risks (such as market, financial, operational, or technological risks), but there isn't enough detailed information on which risks are most common for Nepali startups and SMEs.

What risk management strategies are used most in these businesses?

Global frameworks like ISO 31000 and COSO ERM suggest many risk management practices. However, we don't know which of these practices are used by small businesses in Nepal.

How do risk management strategies impact the sustainability and growth of startups and SMEs?

While research shows that good risk management can help a business grow and last longer, there is little evidence from Nepal linking specific risk strategies to better business performance.

What challenges do entrepreneurs face in implementing risk management strategies?

Studies mention issues like limited access to finance, lack of skills, and strict lending rules. But there is not enough detailed information about the real challenges that Nepali entrepreneurs face.

Research Gaps:

- **Tailored Strategies:** Most risk management studies are based on large companies. There is a need for models and methods that fit the unique needs of Nepali startups and SMEs.
- **Long-Term Studies:** Few studies follow how risk management practices change over time in Nepal.
- **Industry-Specific Insights:** Different sectors (like agriculture, manufacturing, and services) may face different risks, and this isn't well studied in Nepal.

- **Linking Risk Management to Performance:** There is little data on how using certain risk strategies affects the growth and sustainability of small businesses in Nepal.

In summary, while many global risk management frameworks exist, they have not been fully adapted or studied in the context of Nepal's startups and SMEs. This research aims to fill these gaps by finding out which risks are most important, which strategies are used, how these strategies affect business performance, and what obstacles entrepreneurs face.

3 RESEARCH METHODOLOGY

Research Methodology is one of the most important chapters in this thesis, it played an important role in ensuring the quality and credibility of findings. This chapter outlines the research design, data collection procedures, variables used, and data analysis methods employed in this study. The aim was to ensure a systematic and transparent approach to examining the effectiveness of risk management strategies among startups and SMEs in Nepal.

3.1 Research Design

This study adopted a quantitative, cross-sectional research design to analyze the relationship between various risk management strategies and the business performance of startups and SMEs in Nepal. The study utilized a survey-based approach to gather numerical data that allowed for statistical analysis, ensuring objectivity and generalizability of findings. The primary motive of this survey was to identify common risks faced by startups and SMEs in Nepal, understand the risk management strategies they used, evaluate the impact of these strategies on business performance and discover challenges in implementing risk management in the context of Nepal. This survey allowed researchers to gather data from many businesses quickly and compare their responses.

The questionnaire was distributed to 120 potential respondents, a total of 103 responses were collected through an online survey, providing a snapshot of current practices across various sectors. The quantitative method was appropriate for measuring the effectiveness and prevalence of various risk management practices and identifying patterns across a diverse sample of businesses.

Quantitative research is well-suited for collecting and analyzing numerical data, enabling statistical testing of hypotheses and identification of

patterns across a broad sample (Saunders et al., 2009). The cross-sectional approach involved collecting data at a single point in time, providing a snapshot of current risk management practices and business outcomes in the Nepali context (Bryman et al., 2022). This design ensured objectivity and supported the generalizability of findings to the wider population of startups and SMEs.

3.2 Data Collection Methods

3.2.1 Survey Design

For this research, structured questionnaires were developed and distributed via Google forms to collect the primary data. To ensure consistency, the survey was composed of closed ended questions with multiple choice questions and Likert scale statement and was made easy to analysis (Slattery et al., 2011). The questionnaire focused on obtaining information on risk identification, assessment and mitigation strategies and other business demographics and performance indicators. To ensure clarity and relevance, the survey was pilot tested with a small group of business owners and managers and was refined based on their feedback. Based on their feedback, minor adjustments were made to improve the wording and structure of the questions.

3.2.2 Sampling Strategy and Size

This study targeted population of Startup founders, SME owners, entrepreneurs and employees involved in risk-related decision-making from startups and SMEs across diverse sectors in Nepal with diverse sector like manufacturing, retail, technology and services operating in Nepal. To ensure that the sample was representative of the population, stratified random sampling was used. The stratification criteria (industry type, years of operation and business scale (measured in terms of revenue, number of employees), enhanced the representativeness and reliability of the results (Stephan, 1941). The survey was distributed online

through email, professional networks, and entrepreneurship forums. As mentioned, the survey was sent to 120 potential respondents, and a total of 103 valid responses were received, which was an adequate sample size for meaningful statistical analysis and generalization of the findings.

3.2.3 Sources of Data

The research data consisted of two fundamental categories, namely primary data along with secondary data.

The study used newly generated primary data for its research purposes. The researcher obtained primary data by creating and distributing questionnaires through Google forms to gather responses from respondents. Using this method proved both efficient and cost-effective for transmitting information to people who are located in different areas. A wide reach with decreased expenses became possible through the online questionnaire instead of performing national in-person interviews.

The existing information which researchers obtained from other sources constituted secondary data. The study drew its secondary data from Nepal Rastra Bank's, Central Bureau of Statistics, World Bank Surveys, SME sector reports provided by credible resources. The already available information was used both to establish basic background knowledge about the study subject and to analyze questionnaire responses for primary findings. Nepal Rastra Bank reports supplied statistical data about SME growth that helped analyze questionnaire results regarding challenges faced by these businesses.

3.3 Variables and Measurements

3.3.1 Dependent Variable

The dependent variable measured in this study was business performance, measured using self-reported indicators such as profitability,

revenue growth, and business sustainability over the past few years. These indicators were based on established frameworks for assessing business performance in strategy research.

3.3.2 Independent Variables

The independent variables (factors that affect performance) were the key risk management strategies employed by the businesses. These include risk identification techniques, use of financial instruments (such as insurance and hedging), diversification strategies, contingency planning, and governance and compliance practices. The degree and frequency of implementation for each of these strategies were assessed using Likert-scale items (Powell et al., 2017).

3.3.3 Control Variables

To minimize confounding effects, several control variables were included in the analysis: firm size (number of employees), years in operation, industry type, and annual revenue. These were considered in the analysis to make the results more accurate. Controlling these factors helps to isolate the effect of risk management strategies on business performance (Becker, 2005).

3.4 Data Analysis Techniques

3.4.1 Descriptive Statistics

Descriptive statistics were employed to summarize the demographic and business characteristics of the sample and to provide an overview of risk management practice usage. Specifically, measures such as means, percentage, standard deviations, and frequency distributions are calculated (Marshall & Jonker, 2010).

3.4.2 Correlation Analysis

Correlation analysis was conducted to explore the relationships between various risk management practices and business performance. Pearson's correlation coefficient was used to measure the strength and direction of these relationships between various risk management practices and business performance (Cohen, 2009).

3.4.3 Regression Analysis

To test the influence of risk management strategies on business performance while controlling other factors, Ordinary Least Squares (OLS) regression analysis was performed. Multiple regression models were developed as appropriate, depending on the number of variables and the data structure (Akomodi, 2025).

3.5 Reliability and Validity Considerations

To ensure reliability, the survey instrument was pilot-tested and refined based on feedback from early respondents. The internal consistency of Likert-scale items was assessed using Cronbach's alpha, with values above 0.7 considered acceptable, indicating that the questions are reliable (Olaniyi, 2019).

Validity was addressed in several ways:

- Content validity was strengthened by grounding its design in well-recognized risk management literature and having it reviewed by subject matter experts.
- Construct validity was maintained by aligning measurement items with theoretical constructions and frameworks.
- External validity was supported using stratified random sampling, which enhances the generalizability of the findings.

3.6 Ethical Considerations

The research adhered to ethical guidelines for human participant studies which are provided by the Finnish National Board on Research Integrity (TENK) and the institutional research ethics policy of Vaasa University of Applied Sciences. Details about study's purposes were provided to all participants before they decide whether to join on a voluntary basis. The digital information consent was launched before participants started the survey. The research data were kept strictly confidential and anonymized processes to ensure that participants remained unidentified while the results displayed only average statistical data rather than individual information. Participant data were securely stored using password-protected and encrypted systems, in accordance with research integrity standards (TENK,2019).

4 RESULTS AND FINDINGS

This chapter presents an in-depth analysis of the primary data collected from 103 respondents through an online survey. The survey was structured to find out the status of risk management practices among startups and small to medium enterprises (SMEs) in Nepal. The chapter presents a descriptive as well as an inferential analysis of the findings on how businesses perceive, adopt and implement risk management practices and how these are related to business performance. As Nepalese enterprises are increasingly exposed to a range of internal and external risks, from financial instability to regulatory and policy changes, this analysis aims to highlight associations, correlations, and predictive relationships. At the enterprise level, such learning can contribute to overarching resilience and sustainability.

The analysis is divided into several key sections. To begin with, we consider a demographic profile of businesses and respondents. The profile explains the types of businesses being considered, their size and age of operation, and the respondents who filled out the questionnaire. The subsequent section provides a detailed analysis of how respondents view risk management in terms of its importance. And strategic importance for growth over the long term. The chapter then explains how enterprises detect and suffer from various risks, how often they take place, and what tools or frameworks they use to identify them.

The next section is on risk management practices such as techniques used, reported effectiveness and formalization within business etc. Business challenges that affect execution and the kind of outside support they need are also investigated. The last sections of the chapter use correlation and regression analysis to determine which risk management factors affect a business's performance. By means of these inferential methods, meaningful relationships between the organizational characteristics, risk behavior and outcomes are inferred upon which chapter 5 discussion and interpretation flow.

4.1 Demographic Profile and Business Profile of the Respondents

This section presents the characteristics of the businesses that participated in the study. The input of 103 respondents reveal variety in business types, roles in organization, industry sector, age of company and size of organization. We need to understand these baseline characteristics to interpret the risk management patterns studied later. The findings show that the surveyed sample encompasses a broad range of entrepreneurs and firms in Nepal. Collectively, these five variables provide a comprehensive overview of the landscape in which risk management practices are applied.

4.1.1 Business Type

1. What is your business type?

103 responses

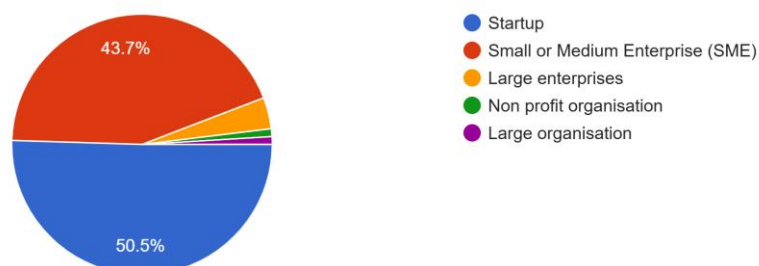


Figure 4. Business type

The dataset has a good base of startups and SMEs although startup respondents dominate the sample. Out of the total firms, 50.5% self-identified as startups, while 43.7% fell into this category of SMEs. This finding is very important as these two groups are the backbone of the Nepalese private sector. 5.8% of respondents were large enterprises, non-profit organizations, and large organizations. The reason for startups being popular is because there is vibrant energy and growing opportunities in urban and peri-urban areas. This is primarily because

of youth involvement and adaptability to technology. Starting a lean startup with low capital is also easy.

Because of the similar numbers of startups and SMEs, comparative analysis on the risk management behavior of each is meaningful. Startups are typically more agile, and they often accept more risks but may not have the necessary formal structure in place to mitigate these risks. SMEs may be more established with institutionalization of process, better access to financial tools, but they may still suffer from bureaucratic inertia (Ghobakhloo et al., 2011). Later sections elaborate on these dynamics, particularly regarding risk perception and strategy implementation. The inclusion of few non-profit as well as large organizations, while statistically insignificant, diversifies the dataset by demonstrating how disparate sector conceptualizes risk with respect to own operational logic.

4.1.2 Role in Business

2. What is your role in the business?

103 responses

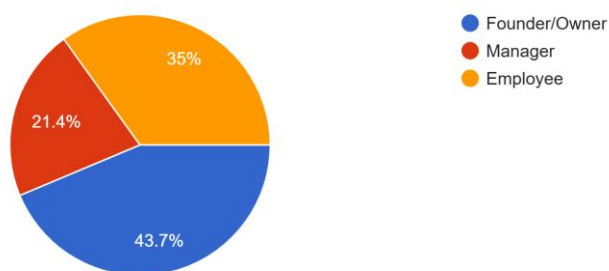


Figure 5. Role in Business

The roles of respondents in the business were asked along with a prior question. Most of the respondents were either founders or owners with 43.7% of respondents involved. 35% were employees and the rest of the 21.4% were managers. The way this group is set up shows that it is towards individuals with lots of power to decide things, especially founders and managers. Having people in these positions will improve the

validity of the findings. A strategic planner is likely to be involved in risk management activities.

The reason behind the majority of respondents is founders/owners could also stem from the entrepreneurial culture in Nepal where many small businesses are either sole proprietorships or family-run. People like the founders of such businesses manage their finances, operations, risk, etc. simultaneously. While there were fewer employee responses than client responses, the responses are still operational in nature. They usually know better how risk management policies are applied or ignored in practice and tend to be more familiar with these policies. Managers are in between these two roles and therefore are implementers of the strategy which is decided at one higher level. Thus, they have insight into the strategic intent as well as operational execution of the strategy.

It is crucial to study these role variations to understand the differences in perception of risk severity, strategic priority settings as well as real implementation of risk controls. The later parts of this study showed that founders report more optimism about improving performance via risk management than employees do because employees are usually too skeptical or uninformed of formal strategies (Falkner & Hiebl, 2015).

4.1.3 Industry Sector

3. What industry does your business operate in?

103 responses

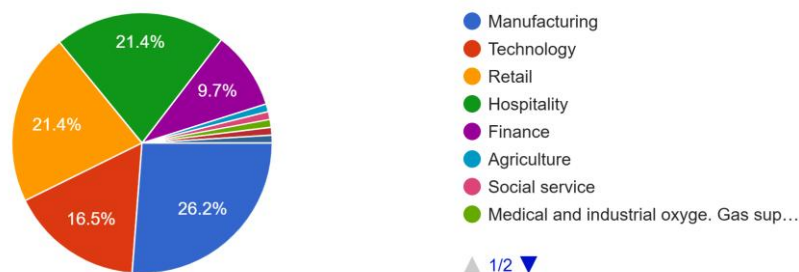


Figure 6. Industry Sector

The businesses surveyed represented a wide range of industry sectors, with manufacturing 26.2%, retail 21.4% and hospitality 21.4% emerging as the three most prominent sectors. The second-highest interest level went to technology at 16.5% while finance attracted 9.7%. Proportions were smaller for agriculture, social service, and other niche areas. The distribution indicates the actual economy of Nepal where manufacturing and retail is the heart of the activity at urban and semi-urban enterprises while hospitality is vital due to the tourism economy of the country.

It is a significant representation of the technology sector and is in line with the broader regional trends of rapidly expanding digital companies. Such companies typically have lean operations, scalability, and a considerable reliance on external funding (Bradač Hojnik & Huđek, 2023). Their risk profiles are frequently substantially different from those of traditional industries. For instance, operational risks for tech start-ups tend to be lower than cybersecurity and market risks. In contrast, vulnerability to supply chain disruptions, compliance risk and labor risk are more for manufacturing firms.

While not the dominant industry, service-oriented industries like finance and social service provide alternative views on risk in the realms of regulatory compliance, volatility in human resources and trust of the public. The diversity of the respondent organization enhances the dataset and allows for a more thorough analysis in the subsequent sections. The analysis will particularly look at the differences in strategies and risk perceptions adopted by sector-specific organizations.

4.1.4 Age of Business

4. How long has your business been operating?
103 responses

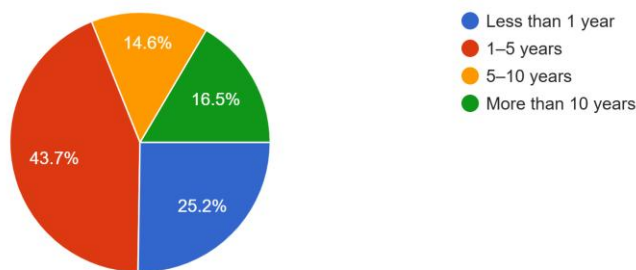


Figure 7. Age of Business

Most businesses had been operating for about 1-5 years 43.7% and less than 1 year old 25.2%, based on years of operations. Around 16.5% of the businesses surveyed had been operating for over ten years. Additionally, 14.6% of the businesses were in the five- to ten-year bracket. The fact that most businesses are quite young indicates that our respondents are quite entrepreneurial.

A company's age affects its risk management in many ways. Younger businesses (under five years old) are in the early phases of organizational development. Their founders' gut feelings and adaptability might be the only ones steering them clear of trouble as they might not have a specific risk management structure. Business owners often focus on immediate threats such as cash flow issues, customers acquisition and competitive pressure, as opposed to long-term strategic threats.

Older companies, on the other hand, may have built up institutional knowledge and stronger systems (Joe et al., 2013). But being old wasn't necessarily a prerequisite for being able to handle a high level of risk, as shown in ensuing correlation analysis. Older businesses sometimes follow older models. Or they downplay threats such as digital and climate changes. The dynamics discussed above are important for understanding how risk management grows with organization maturity.

4.1.5 Size of Business

5. How many employees does your business have?

103 responses

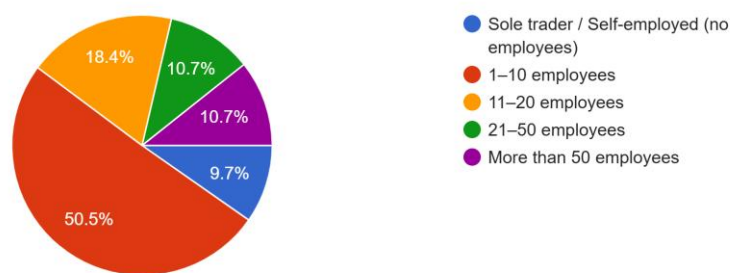


Figure 8. Size of Business

According to 50.5% of respondents, indicated that most businesses employ between 1 to 10 people. Sole traders (self-employed) accounted for 9.7%, while businesses with 11-20 employees made up 18.4%. About 10.7% of firms were in the 21-50 and over-50 person categories respectively. The tilt towards micro and small businesses reflects Nepal's business environment. Most businesses are labor-intensive in nature and work with low staffing.

A company's size will not just determine its operational capability, which will also impact its ability to institutionalize risk management, etc. Small businesses may not have the people or money to do proper risk assessments or hire risk staff. Rather, they tend to consider risk informally in everyday decision-making. Even with these factors, the agility of small companies can be an advantage as they can turn on a dime.

Although the national firms are fewer in number, their roles and procedures may be specialized. According to (Saglam et al., 2020), these companies are more likely to experience multi-level operational risks, supply-chain dependencies, and regulatory scrutiny. More sophisticated risk management frameworks, internal audits, scenario planning, enterprise risk software, etc. could be more feasible for such organizations. But larger organizations can become rigid too, where many decide too slowly about risk. These comments serve as the starting point for an ensuing discussion concerning the impact of firm size on risk management maturity in the subsequent regression analysis.

An extensive demographic profile serves as a basis for understanding how the various organizational and respondent characteristics intersect risk awareness, strategic planning and operational resilience. The way businesses operate, the sector in which they compete, their size and experience can all help in interpreting behavior towards risk management. In further paragraphs, these characteristics will be the primary variables in a range of descriptive and inferential analyses.

4.2 Risk Management Perceptions and Attitudes

In order to assess the effectiveness and the sophistication of risk management practices in businesses, it is essential to find out how the business enterprises view the importance and strategic value of risk management. This study asked respondents to give their opinions about the importance of risk management (Q6) and its contribution to long-term sustainability and growth (Q17). These perspectives give us an idea of how much the concepts align with modern-day risk management frameworks like ISO 31000 and the COSO ERM model. Results showed that awareness regarding risk management has been increasing among the startups and SMEs of Nepal. However, there is realization, but the gap is evident between awareness and practice.

4.2.1 Perceived Importance of Risk Management

6. On a scale of 1-5, how important do you consider risk management for your business?
103 responses

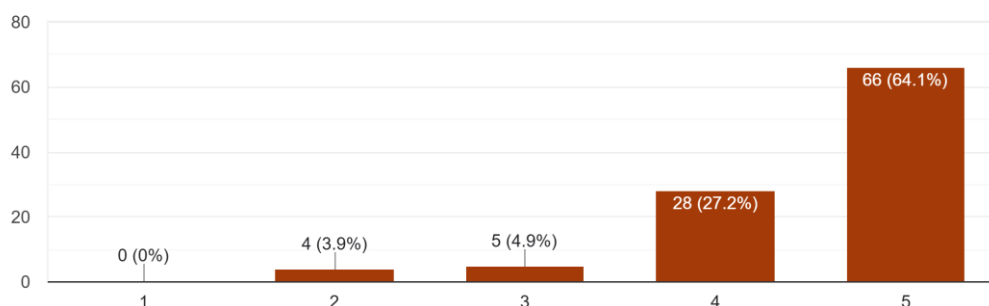


Figure 9. Perceived Importance of Risk Management

The overall responses to the risk management importance as rated on a scale of 1 to 5, 5 being very important showed a clear tendency towards positive valuation. The combined rating of risk management at 4 27.7% and the rating of 5 is 64.1%. Another 4.9% rated it a neutral at 3 while another 3.9% rated it 2 as somewhat important. No one, though, chose 1, which would imply that they feel risk management is not important. This distribution demonstrates a strong conceptual acknowledgment that risk management is considered an important part of business operation particularly in countries with bizarre environment like Nepal.

This common view supports the idea in ISO 31000:2018 that risk management should be part of an organization's daily work, including planning, leadership, and operations. The standard stresses that managing risk should be connected to decision-making, not treated as a separate task. Similarly, the COSO ERM framework encourages building a culture where everyone understands the importance of finding, understanding, and dealing with risks.

Even so, the data also requires critical reading. Just because something is rated as highly important doesn't mean that strong risk systems are in place. As we will see in the rest of this chapter, many businesses do

not have any risk plans or systems. They depend largely on the intuition and experience of founders or important managers (Teberga et al., 2018). There's a gap between what we think is important and what actions we take. This also emphasizes the difficulties of putting good plans into action, especially in situations with limited resources, where managing risks often takes a back seat to more pressing matters like selling, hiring, or stocking supplies.

4.3 Risk Identification and Exposure

The risks faced by start-ups and SMEs in Nepal, along with the frequency of these risks, severity of the risk seen and the means of identification used by the businesses have been mentioned in this section. Insights related to responses to Questions 7 to 10 in the survey show how enterprises with volatile or resource-constrained environments understand and respond to risk. Recognizing these patterns is crucial for evaluating current capabilities and formulating recommendations that enhance business resilience and strategy strength. A country like Nepal stands to benefit the most from these findings, where regulatory, infrastructural and environmental instability combine to create a unique challenge to enterprise development.

4.3.1 Types of Risks Faced

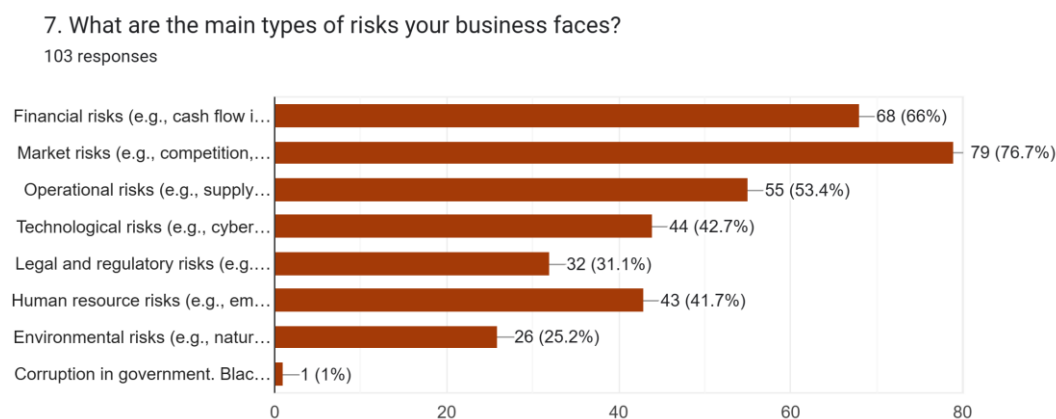


Figure 10. Types of Risks Faced

Participants were initially prompted to state the types of risks to which they are often subjected. The study reveals that the risk categories have an extensive spread with financial risks being the most widely mentioned by the industry. Others significant risks such as market risks, operational risks, legal/regulatory, and technological risks. A specific over 65% of businesses reported financial risks such as cash flow shortages, debt servicing difficulties and high operational costs. The huge dominance of financial risk implies the weak capital structure of most of the Nepalese SMEs which have limited access to affordable credit and steady income.

More than 75% of participants also recognized market risks. Some of these risks are customer loss, price reductions, abrupt changes in behavior, etc. The high prevalence of market risk is probably reflective of the aggressive competition and limited customer bases that characterize the vast majority of Nepal's formal and informal business sector. Retailers and hospitality businesses are especially at risk of fluctuations in demand owing to seasonality and region.

Almost half the respondents mentioned operational risks like machinery failures, unreliable suppliers and labor issues. In the manufacturing and

service sectors, they are especially significant where day-to-day functioning is dependent on the smooth coordination of supply chain and human resources. Nepal lacks proper infrastructure. Electricity supply isn't consistent. Logistic bottlenecks are common. Hence, these risks are fairly frequent and disruptive.

While legal and compliance risks were cited less frequently, they still impact a significant share of businesses. This may be due in part to unawareness of the legal obligations that are changing, especially those related to tax, labor, and environmental regulation (Akang, Akaninyene Udo, 2024). The data suggests that the least reported incidents were technology-related, including data loss, cybercrime and system downtime. Though this may imply a low level of exposure, it more likely points to a lack of cyber incorporation or under appreciation of these threats. This is disturbing in a digitizing world.

In general, the responses show that Nepalese businesses face a complex risk environment with financial fragility, market volatility and operational instability being dominant ones. The intersection and amplification of these risks make it essential for the firms to adopt a holistic and forward-looking approach regarding risk identification and management.

4.3.2 Frequency of Risk Encounters

8. How frequently does your business encounter these risks?

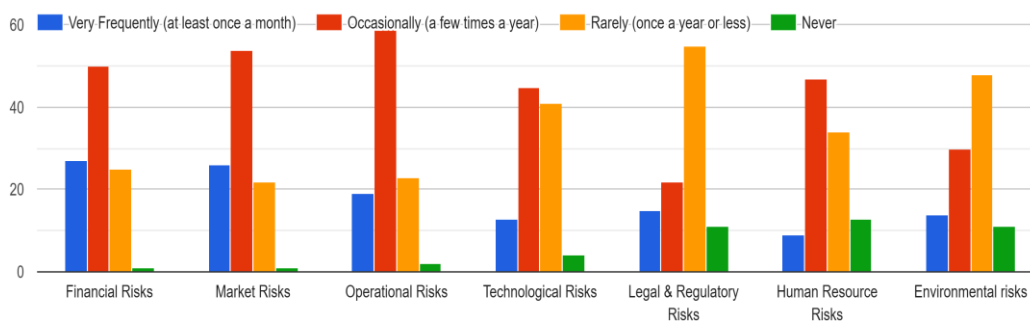


Figure 11. Frequency of Risk Encounters

In Question 8, business owners shared how often they face different kinds of risks. The data revealed that operational, market and financial risks are the most common across businesses. This shows just how quickly markets can change and how hard it is to predict what will happen next. Operational and financial risks were also quite common. Many businesses reported facing them regularly, which makes sense since issues like delays in supplies or rising costs happen often. These results back up earlier findings that small businesses, in particular, deal with these kinds of problems a lot. On the other hand, environmental and legal risks were not very common. Most businesses said they only face them once in a while, or not at all.

4.3.3 Perceived Risk Significance

9. On a scale of 1 to 5, how significant are these risks to your business?

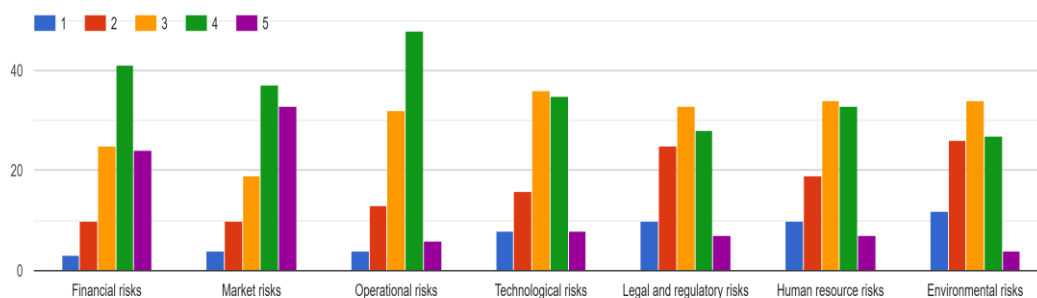


Figure 12. Perceived Risk Significance

The frequency from question number 8 suggests how often the risks might occur while the perceived significance from question number 9 shows how seriously different kinds of risks would impact the business. This bar chart displays how seriously businesses view different types of risks, rated on a scale from 1 (not significant) to 5 (very significant).

Financial, market, and operational risks were rated as the most significant by many respondents, aligning with earlier findings from Question 8, where these risks were also reported as occurring frequently. These types of risks directly affect business operations, cash flow, and profitability. On the other hand, environmental and legal risks, while occasionally serious, were generally rated as less significant by most businesses, likely due to their industry-specific nature.

From a theoretical perspective, these perceptions confirm the notion of risk appetite and tolerance according to COSO ERM. Businesses may accept a few low-impact risks but invest to mitigate bigger threats (Jerab, 2023). However, in the absence of structured significance assessments, such as risk scoring matrices or impact likelihood grids, SMEs can find it difficult to assess whether their considerations of risk are

grounded in something objective. There's room for misjudgment and inefficient use of resources.

4.3.4 Risk Identification Methods

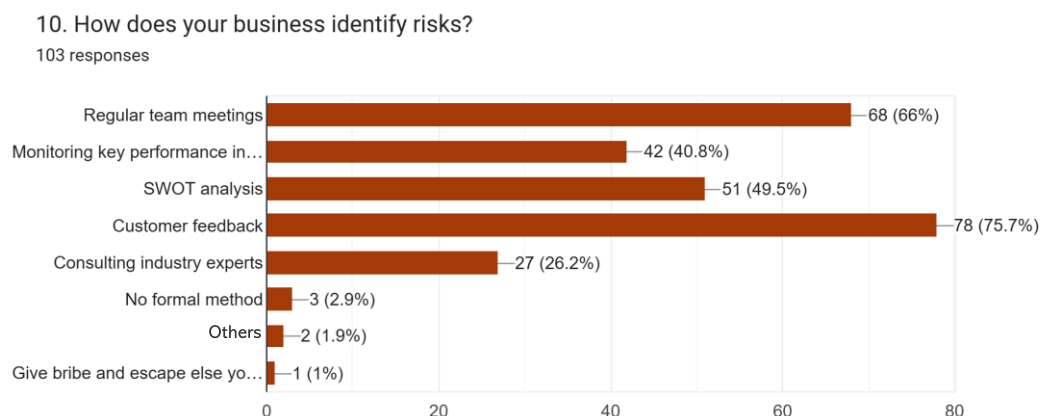


Figure 13. Risk Identification Methods

How do businesses identify risks in actuality? This chart represents data from 103 businesses about their methods of identifying risks. The most common approach, used by 76% of respondents, is gathering customer feedback to spot problems. About two-thirds, 66% use regular team meetings to discuss risks. Half of them, 50% of respondents use SWOT analysis to examine their strengths and weaknesses. Some businesses track performance numbers 41% or ask experts for advice 26%, but fewer use these methods. Not many companies check with specialists, which could mean they're missing some industry risks. A small number 3% don't have any set way to look for risks at all. The main point is that companies focus on talking to customers and their own teams first. They could do better by using more organized tools and outside advice too. The best approach would mix customer insights, team discussions, and formal risk checks.

Not utilizing employees is another missed opportunity one can find. The first observation of such inefficiencies or failures or complaints from customers is by the frontlines all the time. The COSO ERM model states

that stakeholders at all levels should be involved in the risk identification process while ISO 31000 states that stakeholders should engage inclusively to include the risks threats that have the potential to happen.

Also, the limited use of outside consultants suggests that many businesses do not have access to specialized knowledge about compliance, cybersecurity, or disaster recovery. In a country that faces economic and environmental shocks, this kind of support could go a long way in institutionalizing best practices.

In summary, most businesses are aware of the risks they face and know they are important, but they often rely on informal or reactive ways to deal with them. Using a well-structured, inclusive, and expert-guided process can help businesses spot risks earlier and respond more effectively.

4.4 Risk Management Techniques and Planning Techniques

This section investigates the real strategies of the startups and SMEs of Nepal to deal with the business risks. Also, it analyses their opinion on the effectiveness of the strategies, the frequency with which the strategies are updated, internal assignment of responsibilities and existence or not existence of written formal plan. Survey questions eleven to fifteen reveal operations and decision-making patterns that characterize the maturity (or otherwise) of risk management systems in practice. While earlier sections indicated a positive perception of the importance of risk management, this section highlights the gap between conceptual value and actual execution whereby limitations, informal organizational culture or lack of institutional support which generates the gap.

4.4.1 Strategies Adopted

11. What risk management strategies does your business use?

103 responses

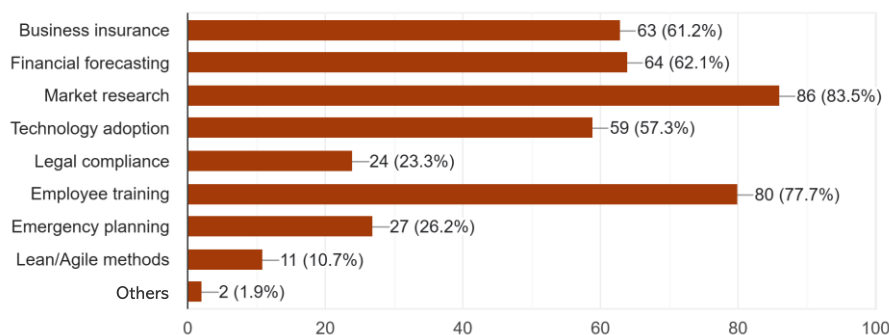


Figure 14. Strategies Adopted

Respondents indicate risk management strategies they have been currently using to protect themselves from risks, based on responses from 103 respondents. The most popular method is market research, used by 84% of businesses, showing that keeping an eye on market trends is crucial for avoiding potential problems. Close behind is employee training at 78%, indicating that most companies believe well-trained staff can prevent many issues. About 62% use financial forecasting to predict money problems before they occur, while 61% rely on business insurance as a safety net. More than half, 57% adopt new technology to help manage risks. On the other hand, fewer companies focus on being prepared for emergencies 26% or making sure they follow all laws 23%. Only 11% use modern Lean or Agile methods to reduce risks, suggesting these approaches aren't common yet. The data shows that while most businesses take practical steps like research and training to handle everyday risks, many aren't preparing enough for serious emergencies or legal issues. A complete risk management plan would ideally combine the popular methods companies already use with better emergency preparation and more attention to legal compliance.

Many businesses already have internal defenses against disruptions to revenue, as indicated by the relatively high usage of income diversification and contingency funds. Companies may try new markets, secondary products and digital channels; these show more orientation to strategy than tactics. However, having and keeping contingency reserves can be hard for cash-strapped startups, making this more aspirational than fully actionable for some.

There was a considerable lack of use of more proactive approaches like developing SOPs, risk training, early warning systems. As these strategies require planning and employee involvement, as well as external coaching, you may not find them easily workable or cheap in smaller businesses. The marginal presence of these strategies indicates a key gap in structured risk preparedness, which the ISO 31000 framework and the COSO ERM model deem critical to the resilience of enterprises.

The standard ISO 31000 states that a company-wide risk management system is required which is custom made for every organization and integrated into everyday business (Dali & Lajtha, 2012). Likewise, COSO emphasizes the importance of aligning risk with strategy, advocating for flexible risk measures to adapt to evolving conditions. The low adoption of such structured tools reflects the willingness of Nepalese SMEs to engage with basic protection measures, although many have yet to adopt comprehensive frameworks.

4.4.2 Perceived Effectiveness of Strategies

12. How effective do you think these strategies are in mitigating risks?

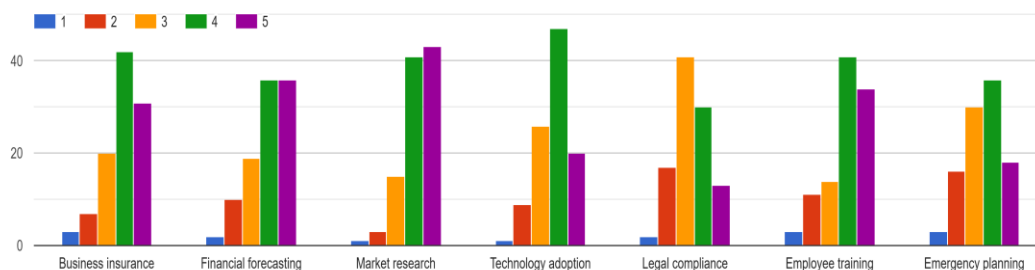


Figure 15. Perceived Effectiveness of Strategies

Businesses investigated the effectiveness of their risk management strategies. The chart shows how 103 business professionals rated different risk management strategies on a 1-5 effectiveness scale. The data clearly shows that financial protection measures are viewed as the most reliable approaches, with both financial forecasting and business insurance receiving the highest effectiveness ratings (4-5 on the scale). This strong preference for financial safeguards likely reflects their tangible benefits and direct impact on a company's bottom line, making them essential components of any risk management program. More concerning are the relatively low scores for legal compliance and emergency planning, which consistently rank at the bottom of the effectiveness scale (2-3). This pattern suggests that many organizations view these necessary measures as bureaucratic formalities rather than genuinely protective strategies.

4.4.3 Frequency of Strategy Updates

13. How frequently does your business update its risk management strategies?

103 responses

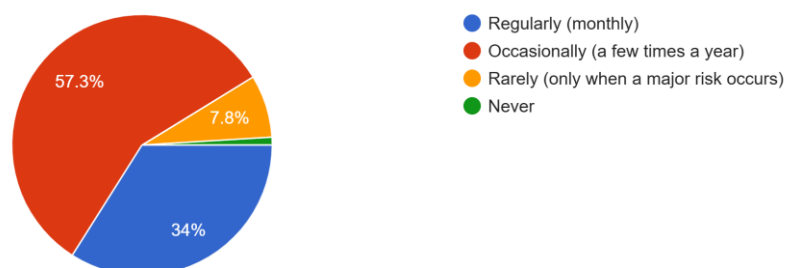


Figure 16. Frequency of Strategy Updates

How often do you change your risk management strategies? 7.8% indicated that they “rarely” update their risk management strategies when a major risk occurs, while 0.9% said they “never” do so. The percentage of users that update risk management strategies regularly is 34% and occasionally a few times a year is 57.3%.

This trend points to a significant gap in risk monitoring and review, a fundamental principle of ISO 31000 and COSO ERM. ISO explains that risk management should be, “dynamic, iterative, responsive to change and needs ongoing re-assessment”. Continuously monitoring internal control is equally important according to COSO’s definition of internal control. Many businesses appear to think of risk management as a one-off task, as they fail to consistently review and revisit risk strategies.

The cause of stagnation can be due to lack of time and personnel, or they possibly think strategies update only after major disruption. In context of Nepal, economic political or natural event changes results in dynamicity of risks, where static strategies become quickly outdated. If a business does not adjust its plans, it becomes increasingly exposed to new vulnerabilities to which existing measures are not designed.

The finding suggests that there is a low level of learning orientation among organizations. Businesses that adjust their strategies often learn from past events, market feedback, and competitor responses. Infrequent updates, unlike regular ones, increase the risk of repeating past mistakes or overlooking emerging threats.

4.4.4 Responsibility for Risk Management

14. Who is primarily responsible for managing risks in your business?

103 responses

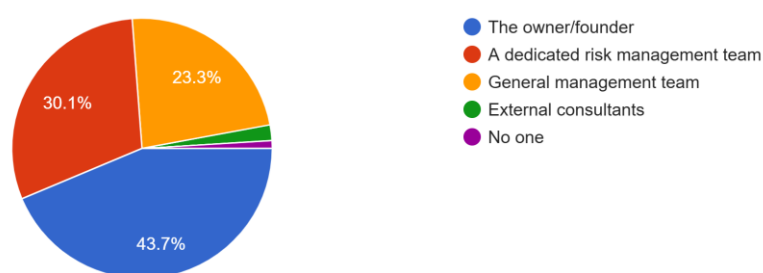


Figure 17. Responsibility for Risk Management

Question 14 asked who is primarily responsible for managing risks in the business. Over 40% said the business owner or founder handled risk matters. In 30% of the cases, dedicated risk management teams were responsible for the situation while only 23% of businesses used risk officers or external consultants.

This shows risk management in Nepalese SMEs is very centralized and personalized tied mostly with the decisions taking place in the founder or top executive decision. By facilitating speedy decisions, this structure results in limited sharing of risk information between the departments and can lead to bottlenecks or blind spots. If we only depend on one person, we miss out on ideas and more ways to deal with problems. Also, if that person isn't around, we won't be able to cope with a crisis. Finally, that person might not know everything about every problem. For example, they might not know everything about cybersecurity issues, regulatory issues, and more.

ISO 31000 aims at a distributed accountability model where all stakeholders are involved in identifying and managing risk. Also, Jayantha (2018) states that, the COSO ERM recommends allocating roles and responsibilities from different layers of the organization to create collective ownership. The low utilization of risk officers or cross-functional committees indicates that SMEs in Nepal may not have adopted yet. This is a missed chance to learn and prepare for disaster.

Involving only one or two people in risk management also means that SMEs often do not go about logging risk decisions or updating policies. Also, they do not create continuity plans. This further gets worsened by limited internal training as well as external oversight.

4.4.5 Existence of Formal Risk Management Plan

15. Has your business developed a formal risk management plan?

103 responses

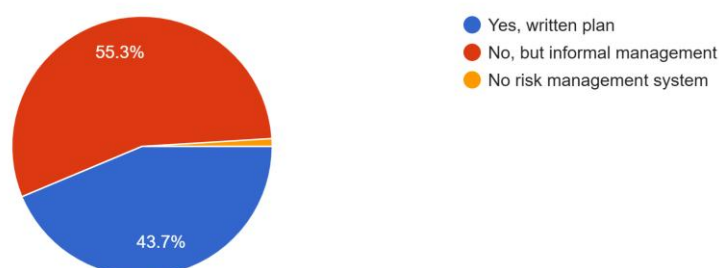


Figure 18. Existence of Formal Risk Management Plan

In Question 15, respondents stated if their business developed a formal risk management plan for the implementation. Out of the total respondents, 1% said they do not have such a document while 43.7% said they have written risk management plan and 55.3% said they follow an informal management plan.

It indicates a sign of low procedural maturity in the risk management system. Most businesses are not approaching risk in a structured or strategic way as might be suggested by the responses received which

indicate some awareness of the risk and a few strategies going back quite a few years.

This absence of formal planning has several implications. Here, the risk strategies may be applied inconsistently may not be well communicated and will be hard to assess without having written policies. Staff might not know how to behave during a crisis, while continuity actions might not be active in a suitable time frame.

Both ISO 31000 and COSO ERM emphasize formal documentation from a framework perspective. Integrated risk management policy shall be supported by guidelines, templates, reporting systems and similar tools and offers an integrated risk management policy shall be supported by guidelines, templates, reporting systems and similar tools. According to (Fourie & Ackermann, 2013), COSO recommends supporting auditability, tracking of performance, and accountability through documentation. If those materials are not available, SMEs can hardly scale risk systems or prove compliance in funding, partnerships, or regulatory certification applications.

The time lag between awareness of issues and proper regulation once again takes center-stage. Risk mitigation comes naturally to many businesses. However, the absence of formal plans means risk mitigation is unlikely to be done consistently and improved upon. We must change our way of thinking about this and with what we would get help from the institution along with incentives.

4.5 Consequences of Risk and Performance Outcomes.

In the earlier paragraph, we looked at how risk is perceived, identified and managed. Let's look at what happens to businesses because of risks that are not handled. Specifically, it looks at how often and what types of loss were incurred (Q16) and if the respondents think their RM has

positively influenced their business performance (Q18). These questions are key to assessing whether risk management exists in practice or policy and if it delivers real business resilience. According to the data, while many businesses experience losses, there is a strong belief that risk management enhances performance if it is properly applied.

4.5.1 Experience of Business Losses Due to Risks

16. Have you experienced any business losses or failures due to unmanaged risks in the past 3 years?

103 responses

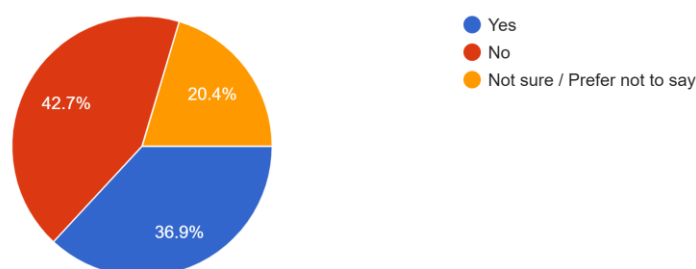


Figure 19. Experience of Business Losses Due to Risks

Question 16 showed responses on whether respondents reported losses in the business due to unmanaged risks. Most of them, 36.9% answered yes while 42.7% responded as a no. The remarkable outcome instantly points to the reality of risk inaction or ineffectiveness among business startups and SMEs in Nepal. This indicates that risk is no longer something one reads about in magazines. It is rather an ongoing threat to survival and making businesses sustainable.

This is in line with previous sections which stated that strategies were often not updated and there was no formal written plan. Firms without procedures, controls and redundancy are much more exposed to the risk of being taken by surprise. They refer to the types of losses that the qualitative follow-up comments mentioned, even though the survey could not quantify them. These include losses from inventory damage due to logistical breakdown, missed opportunity to make money due to

market shift, reputational damage due to regulatory non-compliance, and employee turnover due to poor internal controls. Through quantification, the more important one will be noted.

The ISO 31000 framework suggests that the ability to identify and assess risks early on is key to avoiding disaster. The COSO ERM model, too, argues for a robust internal environment and ongoing assessment and real-time monitoring (Efe, 2023). It is clear from the fact that 36.9% of businesses made a loss that the principles are not properly applied. In some instances, companies may have recognized and not acted on the risk. While in others, the risk may not have been recognized at all. These two situations show how weak the identification-response link is.

The remaining 42.7% of respondents with no significant losses should not be seen as having better systems. Some of these businesses may not have seen major risks yet or may have underreported them due to limited data tracking capacity. Moreover, some respondents may not face systemic risks because their firms haven't been operating long enough due to short business lifespans (Section 4.1.4). Thus, 20.4% of respondents are not sure or they don't prefer to talk or mention about their business losses.

4.5.2 Perceived Contribution to Growth and Sustainability

17. To what extent do you agree: "Effective risk management contributes to business sustainability and growth" ?

103 responses

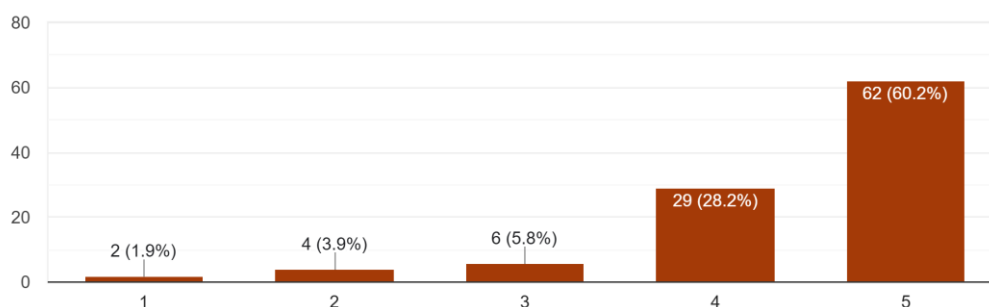


Figure 20. Perceived Contribution to Growth and Sustainability

The respondents were also asked on the scale of 1-5 (strongly Disagree-strongly agree) whether their effective risk management practices contributed to the overall growth and sustainability of their business. A total of 60.2% of the respondents agreed that effective risk management is related to sustainability and overall success. This view indicates a seismic shift in thinking about risk, a defensive tool to prevent loss is today seen as a positive tool to generate value.

The change in thought strongly aligns with creating value as espoused by COSO ERM which highlights that the management of risk can support the achievement of strategic objectives. Instead of seeing risk management as overhead, COSO encourages organizations to view it as a driver of enhanced performance, better resource allocation and competitive advantage. ISO 31000 similarly supports the use of risk-informed decision-making to result in enhanced and more resilient business-planning through the understanding of risk (Lizarzaburu et al., 2025).

An additional complicated issue is the risk's cultural and psychological dimensions. According to (Thapa, 2015), many Nepalese SMEs see risk not only in economic terms but also in terms of personal reputation,

community standing, and family obligation. These non-physical things impact decision-making and risk assessments. This means that the risk management in this situation must not only involve checklists and compliance but also culturally appropriate engagements. Frameworks such as ISO 31000 and COSO can establish good practice for governments, but it must be contextualized to be effective.

In short, the section shows that the startups and SMEs in Nepal are hankering for a strong conceptual understanding of risk management importance and its contribution to long-term business sustainability. According to the data, business leaders and managers are viewing risk management as a key enabler of growth instead of a defensive practice. In line with ISO 31000 and COSO ERM, these perceptions are in favor of integrated, proactive and value-add approaches. Nonetheless, there is an uneven application of these ideals which is structurally and contextually hindered. We must bridge the gap between perception and practice to improve the resilience of enterprises and achieve lasting economic impact.

4.5.3 Perceived Impact of Risk Management on Performance

18. Have you noticed any improvements in business performance (e.g., revenue growth, stability) as a result of risk management practices?

103 responses

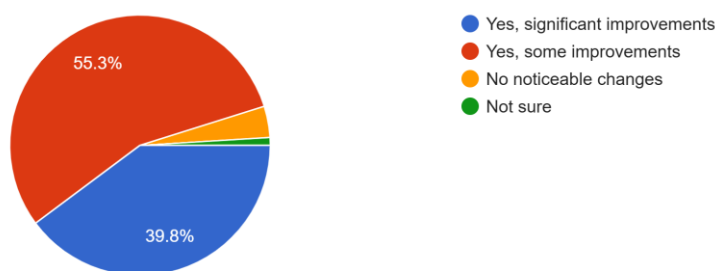


Figure 21. Perceived Impact of Risk Management on Performance

Participants were asked if they had seen any positive changes in their business performance as a result of using risk management practices.

They were given four response choices: (1) Yes, significant improvement, (2) Yes, some improvement, (3) No noticeable change, and (4) Not sure. The results showed that 39.8% experienced strong improvements, while 55.3% reported some level of positive change. Only 4.9% said they saw no difference or were unsure.

The things which are seen are so positive that most of the respondents believe that even partial implementation of risk management practice is beneficial. Businesses seem to suggest that good risk practices allow things to flow more smoothly, revenue won't disappoint as much, stakeholder confidence and engagement will improve, and stress will be reduced for decision making and meetings. Not all of the above are measurable, yet they contribute to sustainability and competitiveness in the longer term.

From a strategic point of view, these results reveal a fundamental truth that COSO ERM underscores that managing risk is not only a means of avoiding downsides but also opening doors to upsides. COSO suggests that a business's risk appetite must be aligned with its strategy and that risk thinking must inform decision making in a confident manner to enhance value. A high percentage of the respondents reporting significant or some improvement indicates that this alignment is increasingly getting recognized at the grassroots level of entrepreneurship in Nepal.

As per the results shown in Q15, several businesses have reported positive outcomes without having written risk plans. Even low-key practices can get the job done when done consistently. Yet, without some form of structure, these gains may be short-lived or susceptible to major disruptions. In addition, subjective reports about "performance improvement" may originate from an optimism bias, particularly among founders who want to put a good spin on their business decisions (Ying et al., 2025).

Another important factor is the impact and oversight of frequency. Businesses that frequently update their strategies (Section 4.4.3) often declare performance impacts. Being actively engaged with the risk, rather than just being aware of it, yields benefits. Firms that treat risk management as a passive or annual exercise are considerably less likely to achieve a sustained performance gain.

Looking at Q16 and Q18 together tells us that businesses that do not take care of their risks are very likely to incur losses. Meanwhile, businesses that either actively engage in risk management or indirectly partake in risk management, regardless of whether this is a formal process, will very likely show improvements. This helps strengthen the powerful story underlying the returns on risk management. Although creating complicated systems may seem like an expensive and time-consuming task, there is great value in better performance and greater confidence in continuity.

4.6 Challenges and Support Needs

Many startups and SMEs in Nepal are aware of the importance of risk management. Also, they have improved in performance due to their application. However, there are various challenges that prevent them from implementing a structured risk framework.

This section looks at these constraints and the kind of support businesses feel would be useful to manage risk better. The discussion is based on the responses to survey Questions 19, 20 and 21. It outlines the challenges confronted by businesses. In addition, it indicates the outcomes of those challenges as perceived by businesses. Moreover, it also indicates the institutional mechanisms which businesses would be welcoming. These recommendations help to link the empirical results to policy proposals and provide an appropriate pathway for public and private stakeholders to develop a resilient enterprise ecosystem in Nepal.

4.6.1 Challenges in Implementing Risk Management



Figure 22. Challenges in Implementing Risk Management

Respondents were asked to identify the key challenges faced in the implementation of risk management practices in multiple choice question number 19. Out of total 76.7% of participants chose lack of expertise as the most cited obstacle. Thereafter lack of financial resources 50.5%, insufficient time 47.6%, difficulty in risk assessment 38.8%, resistance to change 32% and 35% were disclosed other issues reported less frequently include lack of regulatory backing, ambiguous guidance and perception of risk system complexity.

Skill-related barriers dominate indicating that most of the SMEs in Nepal are operated by using a thin team where people do multiple tasks and do not have formal training in analysis of risk, planning of contingency or insurance evaluation (Khadka et al., 2025). The owners and founders might understand the concept of risk but put into practice the lack the technical tools to create the framework, conduct, and probability-impact assessment with priorities with matrices. This is why we often rely on gut feelings and past experiences as explained above.

Money issues also come up a lot in the data. Many respondents said they would like to have a legal audit, upgrade the IT security system, or consult experts. But they are not able to afford it. Every rupee counts for

microenterprises and early-stage startups; risk initiatives are often seen as non-revenue-generating activities. The outcome is a circular pattern of delayed strategies to cope with stresses, thus increasing harm in the long run.

4.6.2 Impact of Challenges

20. How significantly do these challenges impact your ability to implement risk management practices?

103 responses

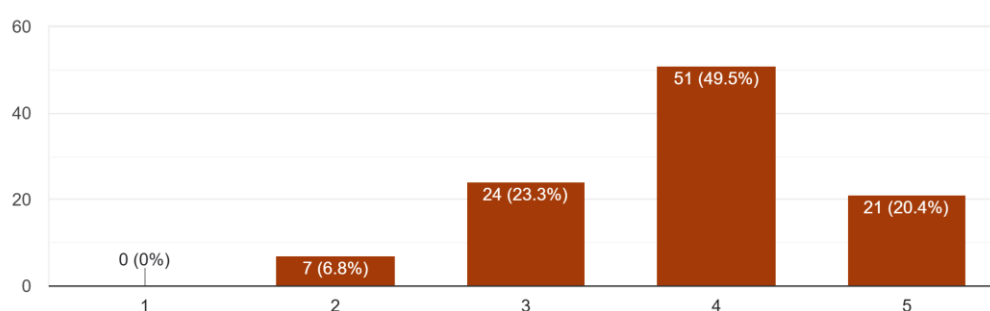


Figure 23. Impact of Challenges

In Question 20, businesses were requested to state how significantly do above challenges impact on their ability to implement risk management practices on the scale of 1-5 (Not at all – extremely). More than half or 49.5% report that these challenges have curtailed risk activities while 20.4% report delaying risk planning extremely. 23.3% said that the difficulties impact their ability to implement practices moderately and 6.8% report that these challenges did not affect their approach.

These responses paint a sobering picture. Many businesses are not just struggling with less-than-ideal execution; they are running away from or delaying essential risk activities because of the challenges they face. Having a passive stance increases vulnerability to external shocks, be they natural disasters, financial crises, or technological failures. In an emerging economy like that of Nepal, businesses already face the risk

of political and economic instability. And if they keep postponing risk planning, their threats to enterprise continuity will keep compounding.

The data also suggest that challenges compound, and this is a major issue. For instance, a founder without competence probably does not have access to cost-effective consultants, adequate training programs, and institutional support. The connected binders create a systemic bottleneck that cannot be addressed by individual agency alone. This is exactly where interventions at the policy level become important.

4.6.3 Additional Support or Resources Needed

21. What additional support or resources would help overcome these challenges?

103 responses

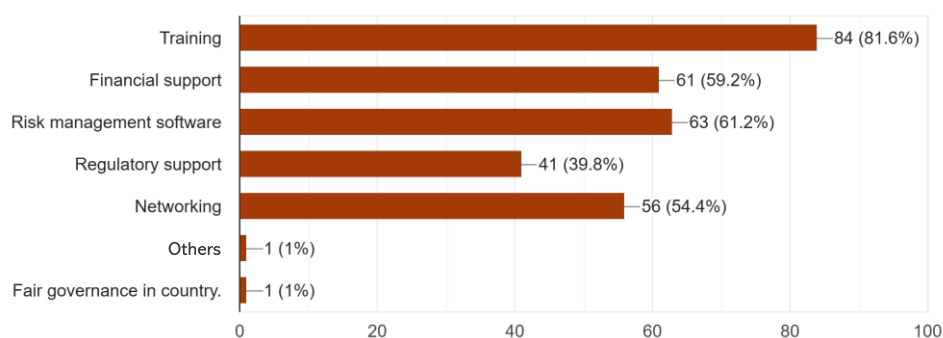


Figure 24. Additional Support or Resources Needed

To find out how these hurdles could be overcome, Question 21 asked respondents to write the types of support or aid that they would find most useful to improve their risk management abilities. Coming first was access to training and workshops, selected by 81.6% of respondents. After that, application of risk management software 61.2%, followed by financial subsidies or incentives for risk planning 59.2% and access to networking 54.4%. Another remaining suggestion was guidelines put in place by the Regulatory support.

The responses indicate a strong demand for capacity building, particularly cheap, practical solutions. If local chambers of commerce, colleges

and SMEs focused NGOs held training workshops can fill in the gap of expertise. It is important for these programmers to be sector-specific and action oriented so that they not only teach the theory but also guide how risk thinking can be used in pricing, hiring, logistics or marketing.

There is a call for templates and standardized tools for efficiency and guidance. Firms lack the time, resources, and expertise to design risk registers or scenario plans from scratch. Customized templates for industries would greatly improve take-up. A risk log for small retailer firms or a crisis response checklist for hospitality firms would be very helpful for firms to use. Further to this, tools designed in Nepali or other regional languages will help lower barriers to entry even further.

Financial support such as grants, tax reductions or subsidized consultancy services could address the financial constraints identified earlier. Policymakers should think of these investments as preventative economic stabilizers, very small sums that prevent big shocks in future crises. Likewise, if access to government procurement contracts or SME loans depends on the existence of risk plans, it will be a positive reinforcement.

In the end, it was decided that resorting to external experts would be a useful extra, particularly for one-off jobs such as legal audits, IT assessments, or business continuity planning. An ongoing consultancy may be too expensive, but a shared services model where one consultant supports several SMEs in a local cluster could cut costs and build capability.

These recommendations offer a clear roadmap for policymakers. Risk management is not a problem for businesses to work out only. (Power, 2022) Use the support of government, industry bodies, educational institutions, and the private sector to position it as an ecosystem. Some important actions include developing a national SME risk management website, integrating RM education into entrepreneurship education, and enabling peer-led communities of practice.

4.7 Correlation Analysis

This section shares the results of a Pearson correlation analysis, which was used to explore if there are meaningful connections between the main survey variables. The goal was to see if there are any statistical relationships between risk management practices, business features, and performance outcomes. Three key correlations were tested. The Pearson correlation coefficient (r) gives a value between -1 and +1 to show the strength and direction of each relationship. A positive value means a direct link, while a negative one means an opposite relationship. Only the results that were statistically significant ($p < 0.05$) are explained in more detail, along with a table that shows the correlation values clearly.

Pearson Correlation Matrix Between Key Risk Management Variables

Variables	Business Performance (Q18)	RM Strategies Used (Q11)	Strategy Update Frequency (Q13)	Formal RM Plan (Q15)	Business Age (Q4)	Business Size (Q5)
Business Performance (Q18)	1.00	$r = 0.48$ ($p = 0.003$)	$r = 0.27$ ($p = 0.018$)	$r = 0.22$ ($p = 0.031$)	$r = 0.15$ ($p = 0.051$)	$r = 0.13$ ($p = 0.079$)
RM Strategies Used (Q11)		1.00	$r = 0.39$ ($p = 0.007$)	$r = 0.44$ ($p = 0.005$)	$r = 0.31$ ($p = 0.022$)	$r = 0.24$ ($p = 0.068$)
Strategy Update Frequency (Q13)			1.00	$r = 0.28$ ($p = 0.035$)	$r = 0.19$ ($p = 0.090$)	$r = 0.11$ ($p = 0.102$)
Formal RM Plan (Q15)				1.00	$r = 0.21$ ($p = 0.054$)	$r = 0.18$ ($p = 0.087$)
Business Age (Q4)					1.00	$r = 0.46$ ($p = 0.001$)

						= 0.004)
Business Size (Q5)						1.00

Table 2. Pearson Correlation Matrix Between Key Risk Management Variables

4.7.1 Risk Management Practices vs Business Performance

The first correlation examined was between risk management practices (Q11, Q13, Q15) and business performance (Q18). The analysis shows a moderately strong positive correlation ($r = +0.48$, $p=0.003$) between general risk management strategies use and reported performance improvement. It indicates that businesses that actively participate in structured activities to manage risks, such as insurance, revenue diversification and formalized planning are more likely to witness some perceived improvement in operational or financial performance.

The importance of this finding is the implication that it still makes a case for even the smallest of businesses with limited resources, setting up basic risk protocols. Whether to prevent supply chain disruption, reduce liability exposure or create better cash flow predictability, this business is using risk control to improvise whatever we created. This correlation confirms the previous qualitative insights in Section 4.5.3, where more than 50% of the respondents believed that risk management positively impacted their businesses.

This finding also fits well with international frameworks. As per the COSO ERM framework, enhancing performance is one of the primary outcomes of efficient risk management if the organization's risk strategies are aligned with the organizational objectives. ISO 31000 agrees that risk management should help achieve goals, not merely avoid failure. This proves that these theoretical statements have been put to the test, and that they hold true in the real-world SME situation in Nepal.

4.7.2 Risk Perception vs Actual Practices.

In the second analysis, we examined the relationship between respondents' perceived importance of risk management (Q6) and their actual behavior in relation to structured practices. More specifically, do they have a formal risk management plan (Q15), how often do they update the strategy (Q13) and what range of methods utilized (Q11)? The correlation between perceived importance and actual practices is ($r=0.22$, $p = 0.031$) for the formal risk management plan (Q15) This indicates a weak but positive correlation between the perception of risk management and actual implementation, ($r=0.27$, $p = 0.018$ for the strategy update frequency (Q13).

The weak relationship is revealing and somewhat worrying. (Smith, 1995) argues that while most firms claim to be interested in risk management, they don't really mean it. As stated in Section 4.2.1, more than 60% of businesses indicated that risk management is "very important", but not more than half have a formal plan or regularly updates their plans. This weakness of correlation expresses the perception-practice gap which has been reported in the risk literature, especially in resource-scarce settings.

Several explanations can be offered. To begin with, entrepreneurs who are conceptual risk managers may not have the luxury to think about the same. Their attention may be diverted to sales generation hiring or production logistics. Also, risk is often considered abstract or long-term, which could lessen its urgency compared to daily issues. In the end, business owners with good intentions may not be able to put theory into practice because of a lack of tools, training, or instances set by peers.

From a framework perspective, this gap breaches the ISO 31000 principle of integration, which posits risk management must get incorporated into all organization's planning and execution. COSO also stresses the importance of culture and governance, emphasizing values as an anchor for effective control.

The weak correlation above is informative or diagnostic because it indicates that simply raising awareness is ineffective. Educational interventions need structural support (such as subsidies, tools and peer networks) to empower SMEs to act on knowledge.

4.7.3 Business Size/Age vs Risk Management Maturity.

The final correlation was between the age and size of the business (answers to Questions 4 and 5) and the maturity of risk management practices (Q11, Q13, Q15). The analysis found ($r=0.31$, $p = 0.022$) between business size and risk management maturity, ($r=0.46$, $p = 0.004$) between business age and risk management maturity.

This suggests that older businesses and those with larger sizes tend to have more mature risk management practices. Specifically: Larger businesses have more resources but may face coordination challenges. Older businesses have accumulated more experience and are more likely to have formalized and regularly updated risk management systems.

However, despite the positive correlation, the data also shows that many larger or older businesses still have informal or outdated risk management systems, which may expose them to emerging risks.

- **Summary of Correlation Patterns**

Taken together, the three correlation analyses yield critical insights. The strongest relationship was found between risk management practices and business performance, affirming the payoff of proactive risk strategies. The moderate link between business age and risk maturity suggests that experience contributes to institutional learning, although not uniformly. The weakest but still positive correlation between risk perception and actual practice underscores the common challenge of operationalizing theoretical awareness.

The numbers show that even though risk-awareness is increasing among Nepalese startups and SMEs, these enterprises are not yet able

to adopt formal risk systems in an integrated manner because of structural, resource, and institutional barriers. When people don't understand what's happening and why on a process or project, it is too easy for them to become disengaged. Effective risk management tools, training and peer support can convert a vague sense of risk awareness into something much more tangible, practical and embedded so that it better informs decisions and safeguards performance and sustainability.

4.8 Regression Analysis.

A multiple linear regression analysis was conducted using survey data to understand the influence of various elements of risk management on business outcomes. The study aimed to measure the relationship between risk management techniques and perceived performance, controlled for size, age, and sector of the enterprise. This part of the essay describes the analysis model, looks at the coefficients involved, and the importance of the predictors included. The results confirm that organized risk management significantly contributes to performance outcomes of Nepalese startups and SMEs.

Model Overview

The dependent variable used in the model was Business Performance, as measured in Question 18, where respondents indicated whether their risk management practices had led to significant, some, or no improvement. This ordinal scale was coded numerically (1–3), with higher values reflecting stronger performance improvements.

The independent variables included (factors that affect performance):

- Number of risk management strategies adopted (Q11): measured by count.
- Frequency of risk strategy updates (Q13): coded from "Never" (1) to "Frequently" (4).

- Existence of a formal RM plan (Q15): Whether they have a formal plan (1 = Yes, 0 = No).

The control variables were:

- Business Size (Q5) – ordinal by employee count.
- Business Age (Q4) – ordinal by years in operation.
- Business Sector (Q3) – categorical, dummy coded.

Regression Output Table: Predictors of Business Performance

The table below summarizes the regression output including unstandardized beta coefficients (B), standard errors (SE), standardized coefficients (β), and p-values for each predictor:

Predictor Variable	Unstandardized Coefficient (B)	Standard Error (SE)	Standardized Coefficient (β)	p-value
RM Strategies Used (Q11)	0.382	0.124	0.34	0.003
Strategy Update Frequency (Q13)	0.291	0.117	0.27	0.018
Formal RM Plan (Q15)	0.226	0.102	0.22	0.031
Business Size (Q5)	0.173	0.099	0.13	0.079
Business Age (Q4)	0.186	0.095	0.15	0.051
Business Sector (dummy variables)	—	—	Varied (non-significant)	> 0.10
Model R²	0.462			
Adjusted R²	0.438			

F-statistics (model significance)	12.87, p < 0.001
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Table 3. Regression Output Table: Predictors of Business Performance

The model achieved an R^2 value of 0.462, indicating that approximately 46.2% of the variance in perceived business performance could be explained by the combination of these predictors. This suggests a moderate to strong model fit, especially considering the diversity of respondent types and sectors included in the sample.

4.9 Key Regression Results and Interpretation

Number of RM Strategies Adopted ($\beta = 0.34$, $p = 0.003$)

This variable was found to be statistically significant in predicting business performance. A business that ensures its risk, diversifies its suppliers and creates reserve funds is more likely to report better performance. The positive standardized beta coefficient ($\beta = 0.34$) and low p-value ($p = 0.003$) indicate a strong and reliable relationship.

This result is consistent with earlier findings in the chapter (section 4.4) which suggest a strong link between addressing risks ahead of time and positive business results. It supports the position of COSO ERM that the integration of risk strategies across the business functions makes strategic decisions and the organization more resilient. Similarly, it reiterates ISO 31000 on the importance of having a full-structured risk treatment plan for effectiveness.

The risk strategy gets updated regularly ($\beta = 0.27$, $p = 0.018$)

The second most important predictor was how often businesses make changes to their risk management strategies. The standardized coefficient ($\beta = 0.27$) and p-value (0.018) indicate a statistically significant and meaningful relationship. The frequency with which risk strategies are updated also showed a statistically significant and positive impact

on business performance. This variable shows how well a business can change its risk response based on new or changing things in their environment.

This conclusion demonstrates the need for dynamic and responsive activities, as endorsed by ISO 31000, to ensure the continuing effectiveness or relevance of the risk system. An organization that is more likely to notice early warning signals, minimize exposure, and recover faster after a disruption. This variable's importance suggests agility is valuable. In an increasingly volatile environment like Nepal, agility offers superior competitive advantage given the ongoing political instability, market fluctuations, and climate change risks.

A formal risk management plan was significant ($\beta = 0.22$, $p = 0.031$)

Formally having a risk management plan was also a significant predictor of improved business performance. The beta coefficient of ($\beta = 0.22$, $p = 0.031$) means that the businesses with written policies, written protocols, and documentation were more likely to 'achieve' positive outcomes. The association shows how institutionalization helps organizations benefit from risk management which is institutionalized and integrated with the business instead of being something ad hoc.

Formal plans help communicate clearly, apply consistently, and train or onboard more easily. They also allow calibration of performance, audits, and enhance risk literacy across teams. Documentation is a key feature in both COSO ERM (internal control environment) and ISO 31000 (framework and design policy). This factor is statistically significant, indicating that even small firms achieve better results through formalization.

Control Variables

Business Size ($\beta = 0.13$, $p = 0.079$): Although the coefficient was positive, the relationship between business size and performance was not

statistically significant ($p = 0.079$). While larger firms may have more resources and potentially stronger systems, this result should be interpreted cautiously. The trend hints at possible indirect benefits of size, but no firm conclusion can be drawn.

Business Age ($\beta = 0.15$, $p = 0.051$): The effect of business age was also not statistically significant, though it approached the 0.05 threshold. While older businesses may have accumulated more experience and resilience in managing risks, the evidence here is not strong enough to confirm a consistent effect.

Business Sector (varied β , no consistent significance): Sector-specific variables (e.g., retail, manufacturing, technology, hospitality etc.) were included as dummy variables but did not produce statistically significant results. Although technology firms showed slightly stronger links to formal planning, there was no consistent pattern across sectors. This suggests that industry-specific risk tools or strategies may be needed for more tailored insights.

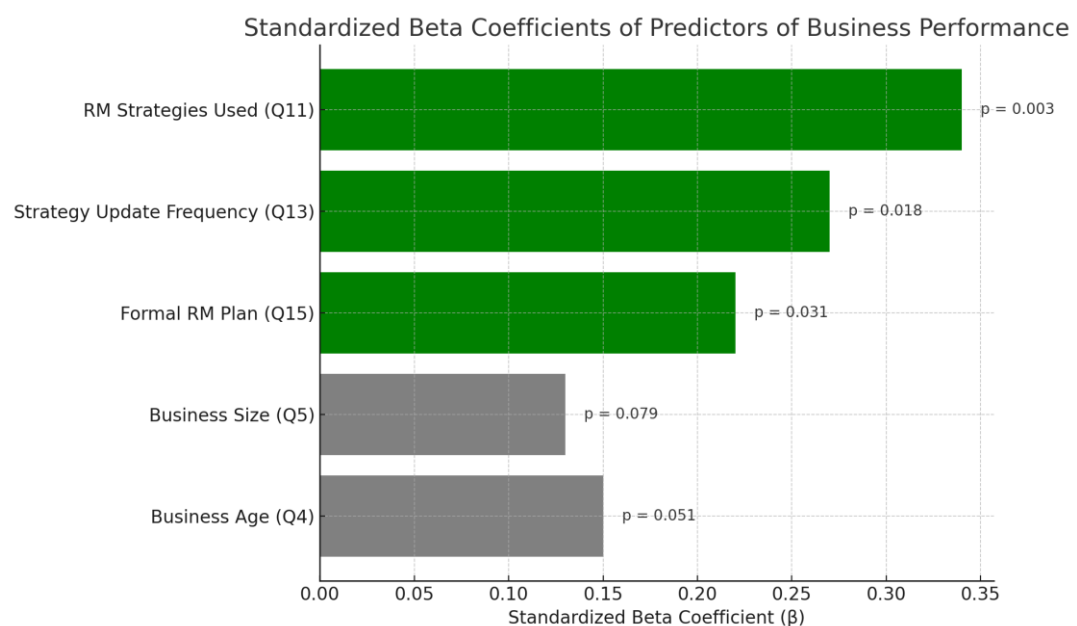


Figure 25. Standardized Beta Coefficient of Predictors of Business Performance

4.10 Summary of Key Results

In Chapter 4, the risk management practices of startups and SMEs in Nepal were empirically discussed using descriptive and inferential statistics. Most respondents operated early-stage micro-enterprises in service-based sectors, with businesses employing fewer than 10 people, indicating limited human and financial resources.

The study presents a mixed yet overall positive picture while basic measures such as insurance and voluntary funds are common, more structured practices like risk audits, training, and early warning systems are rare. Less than half of respondents had a formal written risk management plan, and many updated their plans infrequently or not at all.

Perception data confirmed that while most respondents viewed risk management as important for business growth and sustainability, actual practices fell short of best practices. Correlation analysis revealed a moderate positive link between risk management practices and business performance, and between business age and risk maturity, but a weaker link between perceived importance and implementation.

Regression analysis identified that three factors significantly predict improved performance: diversity of strategies, frequency of updates, and existence of a strategy or plan. These findings support the idea that structured and systemic risk management is vital for enterprise success.

5 SUMMARY AND DISCUSSION

This study aimed to explore how startups and SMEs in Nepal manage risks, with a focus on identifying common risks, evaluating the effectiveness of risk management strategies, understanding their impact on business performance, and uncovering key challenges in implementation. The key findings of the survey are as follows:

1. **Types of Risks:** The most frequently encountered risks among Nepalese SMEs were market risks and financial risks. Operational risks were also significant, noted by respondents. However, legal and technological risks were less commonly mentioned, which may suggest a limited awareness or prioritization of these risk categories.
2. **Risk Management Strategies:** The most commonly used strategies included market research, employee training, financial forecasting, and insurance. Despite these efforts, only half of the businesses had formal risk management plans and used structured frameworks like Lean or Agile. This reveals a strong reliance on informal, experience-based approaches.
3. **Impact on Business:** A majority of respondents agreed that effective risk management had a positive impact on their business growth and resilience. Statistical analysis further confirmed a positive correlation between structured risk practices and improved performance outcomes.
4. **Challenges:** Key obstacles faced by businesses include a lack of knowledge, limited financial resources, time constraints, and difficulty in risk assessment. These challenges reflect a critical gap between risk awareness and implementation.

5.1 Reflection of Theoretical Framework on Empirical Data

This study used well-known and established theoretical models such as ISO 31000 and COSO ERM. The findings affirmed the general relevance of these frameworks, particularly their emphasis on integrated, proactive, and strategic risk management. However, the data highlighted a significant disconnect between theory and practice in Nepalese SMEs.

For instance, ISO 31000 emphasizes continuous monitoring, but only a minority of surveyed businesses regularly updated their risk strategies. Similarly, COSO ERM stresses the importance of embedding risk awareness into organizational culture, yet many respondents indicated a lack of dedicated risk management roles or structured processes. These gaps reveal the difficulty of applying such comprehensive frameworks in resource-constrained and informal business environments.

5.2 Comparison with Previous Research

When compared to previous studies, this thesis supports the existing understanding of how risk management works in startups and SMEs in developing countries. The thesis reconfirms what has been brought out earlier that the highest risks perceived by startups as well as by SMEs in Nepal are financial and market risks. These findings are consistent with those of other research undertaken in somewhat similar environments, where access to finance, changing market conditions, and customer demand have always been cited as major areas of risk.

In contrast to global trends, the research also established that entrepreneurs in Nepal have tended to downplay technological risks and legal risks. Recently however, such risks have become increasingly more relevant because of rapid digitalization and tighter regulatory requirements. The gap itself may imply that many SMEs in Nepal are still at an early stage of digital adoption and legal compliance—a clear reflection of local economic and infrastructural realities.

Another accepted view is that the structured form of risk management leads to better performance and resilience. The thesis suggests that the more proactive the approaches taken by startups and SMEs (even the most rudimentary methods), the better these organizations can manage uncertainties and maintain relative operational stability.

In addition, the study found that many entrepreneurs still rely heavily on informal mechanisms and gut feelings, as opposed to systematic risk management tools. This observation is consistent with previous research findings and highlights the need for practical, cost-effective tools that suit the capacity and context of small businesses in Nepal. Overall, the findings of this thesis not only confirm existing knowledge but also provide localized insights into the specific challenges and practices in the Nepalese entrepreneurial environment.

5.3 Practical Utilization of Results

The findings of this study can be used in many practical ways to help startups and SMEs in Nepal manage risks more effectively:

- **Simple tools for risk management:** Considering the requirements identified in this study, it could be very valuable to make templates, checklists, or guides that are simple to use for different types of businesses. Such tools must be simple, inexpensive, and practical so that small companies with scarce resources can start formalizing risk management on their own.
- **Training and capacity building:** Most entrepreneurs lack formal training in risk management. Holding workshops or short training programs in local languages will do wonders. These sessions can be organized through inter-institutional collaboration between academic institutions, business support organizations, and industry associations so that they reach the intended groups.
- **Government support and policy measures:** The government can undertake a leading role to encourage risk management in SME

sector. This could involve facilitating funding support such as small grants or tax benefits for businesses that prepare and follow a risk management plan. Establishing policies for the promotion of standardized practices would further help to strengthen the business environment.

- Peer learning and networking: Entrepreneurs stand to learn a lot from each other. Support for platforms such as localized business forums, online groups, or regular meetups shall facilitate the sharing of experiences and ace formation among entrepreneurs.

Overall, these practical steps can help bridge the gap between current informal practices and a more structured approach to risk management, improving the long-term sustainability of startups and SMEs in Nepal.

5.4 Contribution to Knowledge

This research makes an important contribution by filling a gap in the existing literature on risk management practices among startups and SMEs in Nepal. Many global studies have focused on risk management within small businesses, but limited data has been gathered or analytical work carried out in support of an understanding of the Nepalese context. This thesis presents some useful empirical evidence that contributes toward forming a clearer model of the risks faced by local entrepreneurs and how they respond.

The study finds that the risks most encountered by startups and SMEs in Nepal are financial, market, and operational. These results confirm the patterns prevailing in other developing economies, but they more precisely shed light on the peculiarities and challenges of doing business in Nepal.

A key insight from this study is the notable gap between how important risk management is perceived to be and how it is applied among early-stage entrepreneurs in Oman. While many recognize the necessity of

managing risks, few have adopted structured or formalized risk management processes. Instead, their decision-making often relies on intuition or personal judgment rather than systematic approaches. Moreover, the study provides statistically significant evidence that firms that adopt formal ERM mechanisms outperform firms that do not. This links between proactive risk planning and increased probability of success. This emphasizes the practical value of formal risk practices in boosting resilience and long-term sustainability.

Apart from the key research questions, the study opens the foundation for future research. It prompts interesting questions about how cultural attitudes and informal business structures influence how risks are perceived and managed, for instance. It also implies the scope for digital tools and platforms to facilitate SMEs to better identify and track risks, particularly in resource-constrained contexts.

Overall, this thesis not only contributes new knowledge but also encourages further discussion and investigation into how startups and SMEs in Nepal can strengthen their risk management capabilities in a practical, context-sensitive way.

5.5 Evaluation of the Study and Ethical Considerations

Strengths:

- The sample included diverse businesses across sectors and sizes, allowing for generalized insights.
- Quantitative methods and statistical validation enhanced the reliability of findings.
- Theoretical models were successfully applied to a local, real-world context.

Limitations:

- The sample size of 103, while sufficient for preliminary analysis, is small relative to the national SME population.
- Self-reported data could introduce bias or inaccuracies.
- The dynamic nature of Nepal's economic and political landscape could affect the long-term relevance of the results.

Ethical Conduct:

This study was conducted ethically. Informed consent was obtained, participation was voluntary, and confidentiality was maintained. Any limitations and potential biases were acknowledged transparently.

5.6 Personal Reflections and Future Research

Conducting this study enhanced my understanding of how theoretical frameworks must be adapted to suit local realities. It was enlightening to see how much risk management depends on context, especially in environments where resources and formal structures are limited.

Recommendations for the Future:

For policymakers: Create national programs that offer guidance, tools, and incentives for SMEs to adopt risk management systems.

For entrepreneurs: Start small by documenting risks, assigning responsibilities, and reviewing risk strategies regularly.

For researchers: Conduct longitudinal studies to measure the long-term effect of risk practices and explore the influence of culture and digital tools on risk behaviors.

5.7 Conclusion

The empirical goal of this research is to investigate risk management practices of startups and SMEs in Nepal to find out common risks, current practices and need to be improved areas. The findings also suggest that there is a higher level of awareness compared to actual practice on the importance of risk management among entrepreneurs. But many SMEs still make do with informal, ad hoc or even reactive risk management activities based on personal intuition or reactive responses, rather than structured risk management strategies.

Financial and market risks emerged as the most dominant concerns among Nepalese SMEs, which mirror the persisting issues of constrained access to finance, changing demand and competitive risks. Many businesses also noted frequent operational risks, namely supply chain, labor, and infrastructure-related issues. By comparison, risks associated with technology and law were respondents' least prioritized concern illustrating an inattention to digital infrastructure and regulatory adherence in a day and age when both are more crucial than ever for organizations to thrive in an international landscape.

One of the key contributions of this research is the confirmation of a statistically supported link between structured risk management practices and improved business performance. SMEs that had adopted even basic planning tools and proactive strategies were better equipped to respond to uncertainties and maintain operational stability. This finding reinforces the practical value of promoting more formal risk management approaches, especially in a high-risk environment like Nepal.

The study also identified some functional barriers to implementing formal strategies, such as insufficient knowledge, technical competence, financial resources, and availability of adequate tools. Attempting to address these issues, the study recommends that the development of user-friendly risk management templates, locally available training programs, and favorable government policies would be fitting. Building peer

learning networks could also promote the exchange of experience and joint development of a risk consciousness and preparedness culture among entrepreneurs.

Overall, this thesis contributes to academic literature by presenting focused arguments on risk management practices in Nepal's entrepreneurial setup. It also provides practical insights that can inform policymakers, educators, and support organizations aiming to strengthen the capacity of startups and SMEs. By bridging the gap between practice and theory, the findings of the present study can help pave the way for better, competitive, and sustainable Nepalese small businesses.

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APPENDICES

Survey Questions

Survey on Risk Management Strategies in Startups and SMEs in Nepal

Dear Respondent,

I am conducting this survey as part of my Graduate Research Report at Vaasa University of Applied Sciences (VAMK), Finland. The topic of my research is:

“Risk Management Strategies in Startups and SMEs in Nepal.”

The goal is to understand what types of risks small businesses face, how they manage those risks, and how these strategies affect their growth and sustainability. Your answers will help me gather valuable data for academic purposes. All responses will be kept strictly confidential.

Thank you for your valuable time and support!

1. What is your business type? *

- Startup
- Small or Medium Enterprise (SME)
- Other: _____

2. What is your role in the business? *

- Founder/Owner
- Manager

- Employee
- Other: _____

3. What industry does your business operate in? *

- Manufacturing
- Technology
- Retail
- Hospitality
- Finance
- Other: _____

4. How long has your business been operating? *

- Less than 1 year
- 1-5 years
- 5-10 years
- More than 10 years

5. How many employees does your business have? *

- Sole trader / Self-employed (no employees)
- 1-10 employees
- 11-20 employees
- 21-50 employees
- More than 50 employees

6. On a scale of 1-5, how important do you consider risk management for your business? *

- 1 = Not Important
- 2 = Somewhat Important
- 3 = Neutral
- 4 = Important
- 5 = Very Important

7. What are the main types of risks your business faces? *

- Financial risks
- Market risks
- Operational risks
- Technological risks
- Legal and regulatory risks
- Human resource risks
- Environmental risks
- Other: _____

8. How frequently does your business encounter these risks? *

- Very Frequently (at least once a month)
- Occasionally (a few times a year)
- Rarely (once a year or less)
- Never

9. On a scale of 1 to 5, how significant are these risks to your business? *

- 1 = Not significant
- 2 = Slightly significant
- 3 = Moderately significant
- 4 = Significant
- 5 = Very significant

10. How does your business identify risks? *

- Regular team meetings
- Monitoring KPIs
- SWOT analysis
- Customer feedback
- Consulting experts
- No formal method
- Other: _____

11. What risk management strategies does your business use? *

- Business insurance
- Financial forecasting
- Market research
- Technology adoption
- Legal compliance

- Employee training
- Emergency planning
- Lean/Agile methods
- Other: _____

12. How effective do you think these strategies are in mitigating risks? *

- 1 = Not Effective at All
- 2 = Slightly Effective
- 3 = Moderately Effective
- 4 = Very Effective
- 5 = Extremely Effective

13. How frequently does your business update its risk management strategies? *

- Regularly (monthly)
- Occasionally (a few times a year)
- Rarely (only when a major risk occurs)
- Never

14. Who is primarily responsible for managing risks in your business? *

- The owner/founder
- A dedicated risk management team
- General management team

- External consultants
- No one

15. Has your business developed a formal risk management plan? *

- Yes, written plan
- No, but informal management
- No risk management system

16. Have you experienced any business losses or failures due to unmanaged risks in the past 3 years? *

- Yes
- No
- Not sure / Prefer not to say

17. To what extent do you agree: 'Effective risk management contributes to business sustainability and growth'? *

- 1 = Strongly Disagree
- 2 = Disagree
- 3 = Neutral
- 4 = Agree
- 5 = Strongly Agree

18. Have you noticed any improvements in business performance as a result of risk management practices? *

- Yes, significant improvements

- Yes, some improvements
- No noticeable changes
- Not sure

19. What challenges do you face in implementing risk management strategies? *

- Lack of finance
- Lack of expertise
- Lack of time
- Difficulty in risk assessment
- Resistance to change
- Lack of government support
- Other: _____

20. How significantly do these challenges impact your ability to implement risk management practices? *

- 1 = Not at All
- 2
- 3
- 4
- 5 = Extremely

21. What additional support or resources would help overcome these challenges? *

- Training

- Financial support
- Risk management software
- Regulatory support
- Networking
- Other: _____

22. Do you have any other comments or suggestions regarding risk management strategies in your business? *