

ABSTRACT

The ability of the management of medium scale enterprises (MEs) to carefully identify the risks that their businesses could face and take appropriate counter-actions will certainly lead to successful and profitable ventures and contribute to economic growth of the nation. By incorporating enterprise risk management into MEs operations, they will be better equipped to exploit their resources, thereby enabling their organizations to transform an expenditure activity into one that yields income. However, most MEs stagnate financially when exposed to various risks it is hypothesized that this is due to lack of risk management strategies. Moreover, studies on risk management have concentrated on large firms. Therefore, this study was aimed at analyzing the influence of enterprise risk management strategies on financial performance of MEs in Kisumu County. Specifically, the study sought to analyze the influence of risk identification strategy on financial performance, analyze the influence of risk assessment strategy on the financial performance, analyze the influence of risk mitigation strategy and to analyze the influence of risk monitoring strategy on the financial performance of MEs in Kisumu County. The study was premised on the portfolio theory and used a descriptive research design. The study population was 331 registered MEs located within Kisumu County. The results showed positive significant non standardized coefficients for risk identification, risk assessment, risk mitigation and risk monitoring with coefficients of 0.88, 0.150, 0.027, and 0.623 respectively. This means that a % age change in each of the risk management strategies would lead to a change in financial performance by 0.088%, 0.150%, 0.027%, and 0.623% respectively. R^2 is 0.3812 and is significant meaning that the model is valid, has stability for prediction and predicts variance of performance at 38.12%. The study concludes that risk management strategies when enhanced will positively contribute to improvement in financial performance. It is recommended that MEs should improve on insurance of catastrophic risks so as to increase on their profits.