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Wafula Wycliffe Nyongesa, Prof. Lucy Rono & Dr. Joel Tuwey

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Wafula Wycliffe Nyongesa

*Msc Student, Department of Accounting and Finance
Moi University, Kenya*

Email: wycliffenyongesa3@gmail.com

Prof. Lucy Rono

*Department of Accounting and Finance
Moi University, Kenya*

Dr. Joel Tuwey

*Department of Accounting and Finance
Moi University, Kenya*

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Abstract

The specific objectives were to establish the effect of financial risk attitude on financial sustainability and whether environmental dynamism moderates the relationship. The study was guided by the dual process theory. The study adopted explanatory research design. The sample size of 383 SMEs was drawn from a target population of 8947 SMEs located within Nairobi's Central Business District using simple random and stratified sampling techniques. The main unit of analysis was the business owners of the SMEs. The quantitative data was collected using structured questionnaires and analyzed using both descriptive and inferential statistics. The study used hierarchical regression model to test hypotheses formulated. The results indicate that financial risk attitude had a positive and significant effect on financial sustainability. However, environmental dynamism significantly does not moderate the relationship between financial risk attitude and financial sustainability. The results underscore the pivotal role of financial risk attitude as key determinants shaping the financial sustainability of SMEs. The study recommends SMEs improve financial risk attitudes highlighting significant managerial, policy, and theoretical implications. For managers, proactive risk-taking and informed decision-making are crucial for navigating improving financial sustainability.

Keywords: *Financial Risk Attitude, Financial Sustainability, Environmental Dynamism, SMEs*

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1. Introduction

Financial sustainability has become increasingly significant among academics and policymakers in recent years. It encompasses an organization's ability to manage its financial resources effectively, ensuring its capacity to sustain operations and fulfill its mission over an extended period (OECD, 2020). For Small and Medium Enterprises (SMEs), financial sustainability is crucial not only for maintaining operational efficiency and competitiveness but also for ensuring longevity, fostering job creation, and driving economic growth (Ayyagari et al., 2021). However, achieving adequate financial sustainability can be challenging for firms, especially in turbulent business environments, where developing sustainable strategies becomes essential (Schwab et al., 2019). Thus, financial sustainability emerges as a vital component that potentially enhances firms' survival and competitiveness.

Research on financial sustainability is still in its nascent stages and encompasses diverse perspectives. De Carvalho Ferreira et al. (2016) highlight a scarcity of studies focusing on developing countries and employing quantitative methodologies. Kakati and Roy (2021) find that while key metrics for assessing financial sustainability exist, the majority of studies are heavily skewed towards the public sector, potentially neglecting the private sector. Happonen et al. (2021) suggest that while financial sustainability is recognized in professional circles, its application to private enterprises remains ambiguous, necessitating further inquiry. These insights underscore the current state of financial sustainability research and highlight the need for more comprehensive investigations, particularly in emerging economies.

Understanding the determinants of financial sustainability among SMEs is crucial. Previous studies have documented that financially literate SME owners are more likely to improve financial sustainability (Ye & Kaluthunga, 2019). Another strand of work shows that financial risk attitudes are significant antecedents of SME sustainability (Masdubi et al., 2024). For instance, risk-taking propensity contributes to SME sustainability more in developed countries than in emerging markets (Cowling et al., 2015). Environmental dynamism, characterized by the rate and unpredictability of change in a firm's external environment, introduces uncertainty and compels organizations to swiftly adapt to remain competitive (Ahmed et al., 2022). Understanding environmental dynamism is crucial for organizations as it informs transformative strategies and actions, thus providing a theoretical and practical bridge to understanding the multifaceted nature of financial sustainability within the ever-changing business landscape (Geels, 2018).

Small and Medium Enterprises (SMEs) are strong economic pillars that consistently demonstrate financial stability and resilience, contributing significantly to GDP, providing stable employment opportunities, and fostering innovations that drive economic growth (Amoah et al., 2022). Their financial sustainability allows them to be agile and responsive to market dynamics, ensuring global competitiveness (Glonti, Manvelidze, & Surmanidze, 2021). However, in Kenya, SMEs face financial vulnerability compared to countries like Ghana, where SMEs employ around 70% of the working population and have a tangible impact on GDP (Amoah et al., 2022). Many Kenyan SMEs struggle with high mortality rates during their initial years, hampered by inadequate financial literacy and limited access to finance (Njiru & Njeru, 2020; Goel & Rastogi, 2023).

The importance of financial sustainability in SMEs has increasingly become a focus in both academic and practical spheres. However, research has not fully explored the intricate dynamics shaping the financial sustainability of SMEs, particularly in Nairobi, highlighting considerable gaps in the existing literature (Buchdadi, Sholeha & Ahmad, 2020). Notably, there is a scarcity of information on how Nairobi's SMEs navigate their financial landscapes, considering their unique financial risk attitudes and the role of environmental dynamism as a moderating factor (OECD, 2020; Ayyagari, Demirgüç-Kunt, & Maksimovic, 2021). Understanding risk attitudes can help SMEs make informed investment decisions, thereby improving their financial sustainability (Rai et al., 2019).

Barriers to capital, such as lack of collateral and credit history, and issues like late payments strain the financial sustainability of SMEs (Onyuma & Ndung'u, 2021; Kibichii & Wafula, 2020). However, the specific context of Nairobi's SMEs regarding financial risk attitudes and its impact on financial sustainability remains underexplored. Additionally, research on the moderating role of environmental dynamism on the relationship between financial risk attitudes and sustainability is notably lacking. This gap is critical, as Nairobi's SMEs operate in a highly dynamic environment, making it essential to understand how these conditions affect their financial sustainability (Kumar & Bhatia, 2021). This study aims to address these empirical gaps by focusing on the financial sustainability of Kenyan SMEs, emphasizing the role of financial risk attitude and environmental dynamism.

2. Theoretical Review

The Dual Process Theory, rooted in cognitive psychology, posits that human cognition operates through two distinct systems: System 1 and System 2. While the theory's foundations trace back to William James in the late 19th century, notable modern contributions were made by Stanovich and West in 1981. According to Stanovich and West, System 1 is automatic, fast, instinctive, emotional, and unconscious, often referred to as the intuitive system. Conversely, System 2 is controlled, slower, deliberative, logical, and conscious, known as the analytical system. System 1 relies on mental shortcuts or heuristics, whereas System 2 employs rule-based reasoning. The theory has been widely applied across various domains, including social psychology, cognitive neuroscience, behavioral economics, and decision-making. For instance, Kahneman and Tversky's prospect theory, which explains irrational decision-making under risk, heavily relies on dual process principles. Similarly, consumer behavior studies utilize the theory to explain decision-making based on instinctive emotional responses (System 1) or deliberate cognitive evaluation (System 2) (Vermeir & Van Kenhove, 2008).

In the context of financial sustainability among SMEs, particularly in Nairobi, the Dual Process Theory offers valuable insights into decision-making processes concerning financial risk attitude. Entrepreneurs may rely on both System 1 and System 2 thinking when making financial decisions. System 1, with its instinctive and emotional responses, might guide immediate reactions to financial risks. In contrast, System 2's analytical reasoning helps entrepreneurs systematically assess and navigate these risks. For example, when evaluating different financing options, entrepreneurs must balance their instinctive reactions to certain options with a systematic analysis of each option's pros and cons. This duality in decision-making processes significantly influences

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the financial sustainability of SMEs, as entrepreneurs must navigate both quick, heuristic-based decisions and slower, more deliberate assessments to maintain financial health and competitiveness.

Environmental dynamism, characterized by the rate and unpredictability of changes in a firm's external environment, adds complexity to the decision-making processes of SMEs. In highly dynamic environments, where rapid decision-making is often necessary, entrepreneurs might lean more heavily on System 1 thinking. The necessity for quick responses in such environments can amplify the reliance on instinctive, heuristic-based decisions, potentially affecting the overall financial sustainability of SMEs. Conversely, in more stable environments, there is greater opportunity for System 2 thinking to prevail, allowing for more deliberate and systematic financial planning and risk assessment. Understanding how environmental dynamism interacts with financial risk attitudes and decision-making processes is crucial for enhancing the financial sustainability of SMEs. This theoretical framework highlights the need for SMEs to develop strategies that balance both types of cognitive processes, particularly in the face of dynamic and unpredictable market conditions.

2.1 Empirical Review and Hypotheses Development

Ajemunigbohun, Isimoya and Elegunde (2020) investigated the impact of risk attitude on SMEs market performance and the relationship between insurance patronage and financial earnings. Their study revealed that risk attitude significantly influenced the market share of SMEs. Despite these insights, their focus was on market share rather than financial sustainability, therefore presenting a conceptual gap.

Kimathi (2021) found a positive association between risk propensity and the performance of SMEs in Kenya. Notably, it was found that risk aversion among SMEs led to the preference for traditional and established revenue channels, potentially limiting their competitive edge. The focus of this study on performance rather than sustainability also highlights a gap that needs further exploration.

Agyapong (2021), focusing on the food processing sector in Ghana, found that increased financial risks led firms to be more resource-efficient and compliant, thereby improving financial performance. Although this research provides valuable insights on risk perception and performance, it was confined to the Ghanaian context, indicating a need for similar studies in different contexts like Nairobi.

Finally, Abu Hatab, Lagerkvist and Esmat (2021) found that risk perception was asymmetric among different regions and that SMEs operating in both local and external markets were more sustainable and had lower risk factors. This suggests that the business environment and specific operational areas may influence risk perception. Again, this study was conducted in Egypt, presenting a contextual gap.

H_{01} : *There is no significant effect of financial risk attitude on financial sustainability of small and medium enterprises in Nairobi CBD*

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Asikhia and Naidoo (2021) sought to investigate the moderating effect of the market environment on the relationship between management success determinant and the performance of SMEs. A survey research design was adopted on a population consisting of CEOs of 1102 SMEs in Nigeria. A mixed sampling procedure involving stratified sampling, proportionate and random sampling was adopted. A questionnaire was used to collect data which was subjected to descriptive and inferential statistics. The results of the study showed that the Nigerian market environment significantly moderated the relationship between the management success determinants and the performance of SMEs. The findings implied that decisions made by SME CEOs under intense environmental turbulence were largely ineffective and that the effects of management on performance were drastically reduced. The study was conducted in Nigeria and therefore presents a contextual gap. In addition, given the independent variable was management practices, a conceptual gap exists.

Ahmed, Bhatti, Gölgeci and Arslan (2022) conducted a study to establish the moderating role of environmental dynamism on the relationship between digital platform capability and organizational agility in the manufacturing sector SMEs. A time lagged two-wave survey was deployed on 227 manufacturing SMEs and structural equation modelling was used to analyze the data. The study showed that digital platform capability is positively associated with the agility of SMEs and that all three intellectual capital dimensions mediate this relationship. In addition, it was established that environmental dynamism negatively moderated the effect of digital platforms on agility of SMEs. The study highlighted the importance of intellectual capital in creating improved organizational agility for manufacturing SMEs through digital platform capability within the boundary conditions of environmental dynamism. Given the variables of SME agility as opposed to sustainability, it offers a conceptual gap.

Zhang and Zhu (2021) investigated how social media has promoted disruptive innovation among SMEs. The study examined the effect of social media strategic capability on innovation among SMEs as well as the moderating role of environmental dynamism on this relationship. Empirical results from 198 Chinese manufacturing SMEs established a significant relationship between SMSC and disruptive innovation. In addition, the influence of unlearning on disruptive innovation is strengthened in dynamic market and regulatory environments but weakened in dynamic technological environments. The study was conducted on Chinese SMEs and therefore offers a contextual gap.

Fonseca, Ferreira, Pereira, Govindan and Meidutė-Kavaliauskienė (2020) sought to establish the determinants environmental conducts in SMEs. The study adopted fuzzy cognitive mapping techniques and system dynamics (SD). The findings of the study revealed that the dual methodology adopted enriches the decision-making process of SMEs and that these decision makers are able to analyze the consequences of environmental conduct decision. The study also revealed that the performance of such SMEs was significantly affected by the technological environment in which they operated as well as by the government policies that govern their operations. Static and dynamic analyses were carried out to test and more fully develop the proposed framework. Ahmed et al., (2022) established that environmental dynamism negatively moderated the effect of digital platforms on agility of SMEs. Therefore, the study hypothesized that:

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H_{01a}: Environmental dynamism has no significant moderating effect on the relationship between financial risk attitude and financial sustainability among SMEs in Nairobi CBD.

Hence, the following conceptual framework in Figure 1 was developed.

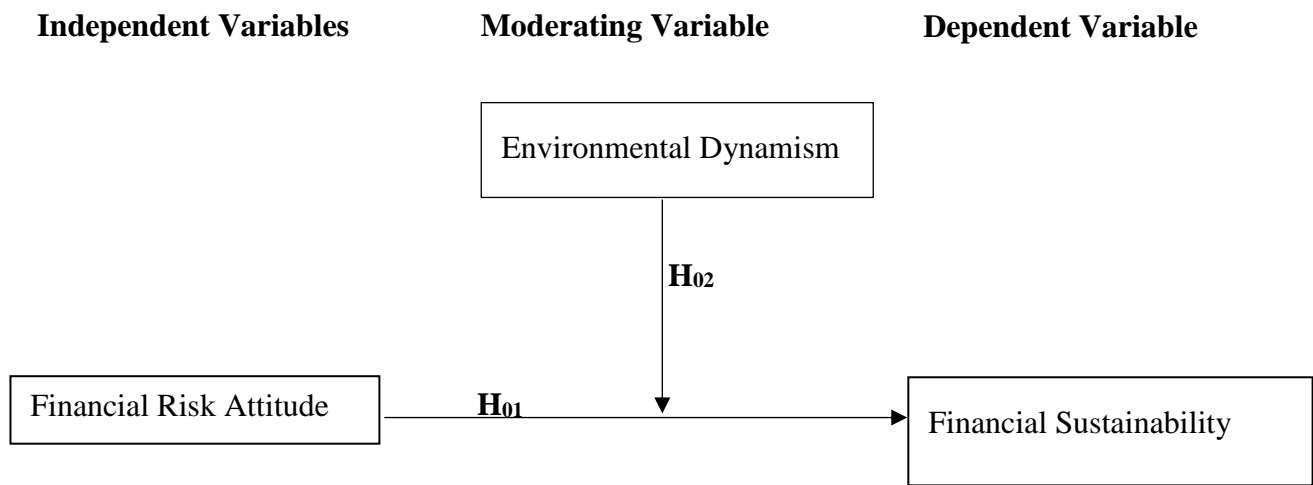


Figure 1: Conceptual Framework

3. Methodology

Sampling

The target population of this study consisted of Small and Medium Enterprises (SMEs) located in the Central Business District (CBD) of Nairobi County. According to the Ministry of Trade, Nairobi County Government (2022), there are 71,681 registered SMEs in Nairobi County, with 8,947 of these situated within the CBD. This substantial number of SMEs in the county provides a rich opportunity to collect diverse data on financial sustainability across various industries and market contexts. Using Yamane's formula, a sample size of 383 SMEs was determined and randomly selected for the study, ensuring a representative and statistically significant sample to draw reliable conclusions.

Collection Research Instruments and Procedure

The study utilized primary data gathered through close-ended questionnaires featuring a 5-point Likert scale, which allowed participants to select responses ranging from "strongly disagree" (1) to "strongly agree" (5). The Likert scale is a widely accepted method for measuring opinions or attitudes in survey research (Borg & Gall, 1989). The questionnaire items were adapted from existing literature on financial sustainability, financial risk attitude, and environmental dynamism among SMEs, and were tailored to align with the specific objectives of the study. To ensure the

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data collected was aligned with the research objectives, a pilot test was conducted (Saunders et al., 2012; Reaven et al., 2009). This pilot test, involving 10% of the total sample size (38 participants), was conducted among SME owners in Kiambu County to identify any flaws in the design and implementation of the research instrument (Cooper & Schindler, 2006).

In designing the questionnaire, face validity was achieved through critique and feedback from supervisors and experts, ensuring the items fit their intended purpose. Construct validity was ensured by developing indicators and measurements based on relevant existing knowledge, addressing both convergent and discriminant validity to ensure the reliability and accuracy of the measurement. Cronbach's alpha was used to test the reliability of the questionnaire measures, with a Cronbach alpha of 0.7 and above indicating reliable data (Sekaran & Bougie, 2016; Creswell & Creswell, 2017). The pilot test was crucial for addressing potential issues in survey design, such as ambiguous questions or areas where respondents might feel uncertain (Newing, 2011). The primary goal of the pilot test was to refine the research instrument, ensuring it was effective in collecting the necessary data without introducing response bias. This meticulous approach to designing and testing the questionnaire helped to establish a robust foundation for the study, enhancing the validity and reliability of the collected data.

Measurement of Variables

The dependent variable the current study was financial sustainability. The construct was measured using seven questions based on the previously tested scales validated by (Gleißner, et al., 2022). The SME owner was asked the extent to which the SME regularly monitors the business's financial performance to identify areas for improvement; is able to improve profits and revenues over time; clearly understanding of the business's financial performance; seek professional advice when making financial decisions for the business; make financial decisions based on records kept; is able to effectively manage the business's cash flow; and regularly review and update the management plan over the long term.

The independent variables were financial risk attitude, Financial Risk Attitude was measured using five survey items anchored on a likert scale (cite). The SME owner was asked the extent to which he or she is comfortable with taking financial risks as long as the potential returns are high; feel anxious when making financial decisions that involve risk; calculate the risks and consider if they are worth taking before engaging in his or her venture; willing to accept a certain degree of financial risk to achieve my financial goals; and generally open to trying new financial options, even if they involve some level of risk.

The moderating variable of the study was environmental dynamism. The construct was measured as a mean of five survey items (Lee & White, 2018)). The SME owners were asked the extent to which the firm has adopted to new methods of marketing such as social media to attract new clients; are compliant with the government policies of business; political landscape sometimes affects our business; regularly monitors technological advances in the industry to identify opportunities and threats; and seek to leverage opportunities presented by changes in the political environment as well as trends and advancements in technology.

0.826 for financial sustainability, 0.847 for financial risk attitude, and 0.840 for environmental dynamism. These values exceed the recommended threshold of 0.70, as suggested by Hair et al. (2010), demonstrating that the items within each construct are highly reliable. The combination of high KMO values, substantial cumulative variance, and strong Cronbach's Alpha values underscores the reliability and validity of the study's measures, providing a robust foundation for understanding financial determinants in small and medium-sized enterprises (SMEs).

Table 1: Preliminary analysis

	Compo nent
Financial sustainability (Cronbach's Alpha = 0.826, KMO=0.857, Cumulative % = 43.674	
We regularly monitor the business's financial performance	0.647
Our SME has been able to improve profits and revenues over time	0.697
We have a clear understanding of the business's financial performance.	0.68
We seek professional advice when making financial decisions for the business.	0.681
Financial decision making in the business is based on the financial records kept.	0.678
We are able to effectively manage the business's cash flow.	0.719
We regularly review and update the management plan over the long term.	0.5
financial risk attitude(Cronbach's Alpha = 0.847, KMO=763, Cumulative % = 46.972	
I am comfortable with taking financial risks as long as the returns are high.	0.606
I feel anxious when making financial decisions that involve risk.	0.607
Before engaging in any venture, we calculate the risks	0.653
I am willing to accept financial risk to achieve my financial goals.	0.664
I am generally open to trying new financial options, some level of risk.	0.646
Environmental Dynamism (Cronbach's Alpha = 0.840, KMO=738, Cumulative % = 46.972)	
We have adopted to new methods of marketing such as social media to attract new clients	0.593
We are compliant with the government policies of business	0.595
The political landscape sometimes affects our business	0.695
Our SME regularly monitors technological advances in the industry to identify opportunities and threats.	0.649
We seek to leverage opportunities presented by changes in the political environment as well as trends and advancements in technology.	0.696

Extraction Method: Principal Component Analysis.

Univariate analysis

In this univariate analysis, the findings indicate that SMEs exhibit a moderate to high level of financial sustainability, reflected by a mean score of 3.936 and a relatively low variability (standard deviation = 0.497). This suggests that respondents generally report stable financial sustainability with minimal fluctuation. The financial risk attitude scores also show a balanced approach to risk-taking, with a mean of 3.964 and a standard deviation of 0.501. The skewness and kurtosis values for these measures fall within acceptable ranges, supporting the normal distribution of responses

(skewness: -0.849 to -1.244; kurtosis: 0.326 to 1.118). The analysis of environmental dynamism reveals that SMEs show a moderate level of responsiveness to external changes, with potential for further enhancement in adapting to dynamic environments to boost business sustainability and competitiveness. The correlation analysis highlights several significant relationships: financial sustainability is strongly positively correlated with financial risk attitude ($r = 0.834, p < 0.001$), suggesting that SMEs with a favorable attitude towards financial risk are likely to achieve higher levels of financial sustainability. Additionally, there is a positive correlation between financial sustainability and environmental dynamism ($r = 0.766, p < 0.001$), indicating that SMEs that effectively adapt to external changes, such as technological advancements and market trends, tend to exhibit better financial performance. This underscores the importance of proactive adaptation to environmental changes as a key factor in sustaining financial health and achieving long-term success.

Table 2: Univariate Analysis

n=337	Mean	Std. Dev.	Skewness	Kurtosis	FS	FRA	ED
Financial sustainability (FS)	3.936	0.497	-0.732	-0.171	1		
Financial risk attitude FSA)	3.964	0.501	-0.849	0.326	.834**	1	
Environmental dynamism (ED)	3.849	0.396	-0.504	0.332	.766**	.798**	1

** Correlation is significant at the 0.01 level (2-tailed).

Regression Analysis (Hypothesis Testing)

The model summary of the regression model is presented in table 3. Based on the model, the combined prediction of financial risk attitude accounted for approximately 85% of the total variation in financial sustainability ($R^2 = .85$, Adjusted $R^2 = .848$. Table 3 also, highlights the ANOVA model. The ANOVA model showed that the joint prediction of all the independent variables as depicted in Table 30 above was statistically significant ($F = 626.726, \rho=.000$). Thus, the model was fit to predict financial sustainability using financial risk attitude,

H₀₁ proposed that financial risk attitude has no significant effect on SMEs' financial sustainability. The results presented in Table 3 showed a positive and significant effect between financial risk attitude and financial sustainability ($\beta_1 = 0.432, \rho < .05$)., which is less than $\alpha = 0.05$). Therefore, the hypothesis was not supported. Thus, implies that the greater the financial risk attitude the more the SME owners contribute to financial sustainability of SMEs.

H₂ stated that environmental dynamism does not moderate the relationship between financial risk attitude and financial sustainability. The findings in Table 3 support the hypothesis that environmental dynamism does not significantly moderate the relationship between financial risk attitude and financial sustainability ($\beta = -.018, \rho > .05$). So, the null hypothesis was accepted. This was also confirmed by $R^2\Delta$ of 0.000 which indicate that environmental dynamism does not

moderates the relationship between financial risk attitude and financial sustainability by 0%. The implication is that whether the business environment is dynamic or not do not affect financial risk attitude of the SME owner which eventually shows no influence on sustainability of SMEs.

Table 4.3: Hierarchical regression results.

	Model 1	Model 2	Model 3	Model 4
	Beta(t)	Beta(t)	Beta(t)	Beta(t)
control				
(Constant)	4.04(42.32) **	0.10(1.03)	0.02(0.18)	-0.33(-0.64)
firm age	-0.04(-0.81)	0.00(-0.03)	-0.01(-0.22)	0.00(-0.21)
Startup Capital	-0.05(-0.84)	-0.02(-0.73)	-0.02(-0.70)	-0.01(-0.66)
predictors				
FRA		0.43(14.17) **	0.34(8.88) **	0.44(2.89) **
moderator				
ED			0.14(4.04) **	0.23(1.71)
interactions				
				-0.18(-0.68)
Financial Risk Attitude*Environmental Dynamism				
Model	1	2	3	4
R	0.063	0.922	0.926	0.926
R ²	0.004	0.850	0.857	0.857
Adj. R ²	-0.002	0.848	0.854	0.854
Std. Error	0.497	0.194	0.190	0.190
Change Statistics				
ΔR ²	0.004	0.846	0.007	0.000
F Δ	0.656	621.253	16.342	0.467
df1	2	3	1	1
df2	334	331	330	329
Sig. F Δ	0.520	0.000	0.000	0.495

5. Discussion of findings

The findings indicated that financial risk attitude indeed had a significant effect on financial sustainability ($\beta_1 = 0.432$, $p\text{-value} = 0.000 < 0.05$). This means that there was an up to 0.432 unit increase in financial sustainability for each unit increase in financial risk attitude among SME owners and operators in Nairobi. This finding aligns with previous research conducted by Nguyen et al. (2016), who found a positive association between client risk tolerance and investment decision-making. Similarly, the study by Ajemunigbohun, Isimoya, and Elegunde (2020) revealed that risk attitude significantly influenced the market share of SMEs. Kimathi (2021) also found a positive association between risk propensity and SME performance in Kenya, further supporting the notion that attitudes towards risk can impact financial outcomes. Furthermore, while Agyapong's (2021) study on risk perception and performance was confined to the Ghanaian context, it underscores the importance of understanding risk attitudes in different geographical contexts like Nairobi. Additionally, Abu Hatab, Lagerkvist, and Esmat (2021) found that risk perception varied among different regions, highlighting the need for SMEs operating in Nairobi to consider both local and external market dynamics to enhance sustainability and mitigate risk

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factors. On moderating effect environmental dynamism, findings supported indicated that there is insignificant moderating effect of environmental dynamism on relationship between financial risk attitude and financial sustainability ($\beta = -0.018$, $p > .05$, $\Delta R^2 = 0.000$) indicated that the addition of environmental dynamism did not significantly increase the explained variance in financial sustainability.

6. Conclusion

The findings from the data conclude that financial risk attitudes play a crucial role in improving the financial sustainability of SMEs. This conclusion is supported by several key observations. Firstly, SMEs exhibit a notable comfort with taking financial risks, particularly when the potential returns are perceived to be high. This indicates a proactive approach to business management, with SME owners recognizing the potential rewards associated with strategic financial decisions. Additionally, despite inherent uncertainties, SMEs demonstrate a calculated approach to decision-making by assessing risks before engaging in ventures, reflecting a rational and informed approach to risk management (Zhang and Zhu, 2021). Moreover, SMEs' willingness to accept a certain degree of financial risk to achieve their financial goals underscores their entrepreneurial mindset and ambition for growth (Fonseca et al., 2020). This suggests that SMEs view financial risk as an integral aspect of business growth and are willing to take calculated risks to advance their objectives. Furthermore, the openness of SMEs to exploring new financial options, even if they involve some level of risk, highlights their agility and adaptability in navigating dynamic business environments (Ahmed et al., 2022). Overall, by embracing risk, assessing opportunities and threats, and remaining open to innovation, SMEs can leverage their risk attitudes to make informed financial decisions and position themselves for long-term success and growth. The study concludes that environmental dynamism does not influence the relationship between financial risk attitude and financial literacy on financial sustainability.

7. Recommendations

The study's findings emphasize several key strategies that SMEs can adopt to enhance their financial sustainability. Firstly, SME owners should recognize the importance of effectively managing financial risks. By understanding the potential rewards associated with strategic financial decisions and adopting a calculated approach to risk management, SMEs can make informed decisions that contribute to their financial sustainability. Investing in financial literacy programs is another critical step for SMEs. By prioritizing financial education for owners and employees, SMEs can improve their understanding of complex financial concepts, enabling them to make informed decisions and improve financial performance, developing policies aimed at streamlining loan application processes, providing financial incentives for lenders to support SMEs, and promoting alternative financing mechanisms such as peer-to-peer lending and crowdfunding can help SMEs overcome financing challenges and thrive in competitive markets. Additionally, policymakers should create a supportive regulatory environment for SMEs by implementing policies that reduce bureaucratic hurdles, simplify compliance procedures, and provide incentives for SME growth and innovation.

8. Limitations and Suggestions for Further Studies

This study focused on SMEs in Nairobi's Central Business District and evaluated how financial risk attitude, financial literacy, and access to finance influence their financial sustainability. Future research could expand this study's scope by exploring these factors in SMEs operating in different industries or geographical locations. It would also be valuable to investigate other variables that may influence financial sustainability, such as organizational culture or leadership styles, with environmental dynamism as a moderating factor. Expanding the research to different settings will offer more comprehensive insights and allow for effective decision-making.

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