

## The Influence of Entrepreneurial Risk-Taking Propensity on Sales Performance of Small and Medium-Sized Enterprises in Southwest Nigeria

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### Abstract

*This study examined the influence of entrepreneurial risk-taking propensity on sales performance of small and medium-sized enterprises (SMEs) in southwest Nigeria. Data were collected through primary method with the use of a structured questionnaire administered randomly to a sample of 400 owners, managers/supervisors carefully selected from SMEs who have been in existence for a period of not less than five years and above through a multi-stage sampling technique. Confirmatory Factor Analysis (CFA) was used to analyse the roles of risk-taking propensity on performance of SMEs in Southwest Nigeria. The study results showed that risk-taking propensity has a positive and significant effect on small and medium-sized enterprises' (SME's) sales performance in southwest Nigeria. It was concluded through the study that risk-taking propensity is a fundamental part of SMEs' owners in southwest Nigeria to achieve a significant and optimal sales performance. This means that, the more firms take advantage of risk-taking propensity in the management of their small business organisations, the increase in the sales performance could raise by 46%. This implies that in general, risk-taking propensity plays a crucial and significant role in achieving an increased sales level of SME performance.*

**Keywords:** Small and Medium-sized Enterprise, Sales Performance, Risk-Taking Propensity, Entrepreneurial, Southwest Nigeria, Business.

### 1.1. Introduction

Small and Medium-sized Enterprises (SMEs) in Nigeria and southwest in particular have been seen as the hub of economic development. The sector has been well known as a catalyst of economic emancipation due to its tendency for employment generation, supply of raw materials as well as being a very good source of unskilled labour for bigger firms. In spite of these essential provisions of SMEs to the nation's economy, the sector is still faced with numerous challenges such as inadequate and non-functional infrastructural

facilities, bureaucratic bottlenecks and administrative inefficiency coupled with the use of outdated support facilities, unethical competition arising from import tariffs, lack of access to appropriate technology, absence of Research and Development (R&D), high dependence on imported raw materials, lack of scientific and technological knowledge and know-how, lack of appropriate managerial and entrepreneurial among others (Smirnova, Rebiagina, & Frosen, 2018; Ibijoju & Akeke, 2022).

Business entails risk since there are numerous uncertainties that can affect the outcome that cannot be foreseen with certainty. The concept of risk-taking has been long associated with entrepreneurship. Early definitions of entrepreneurship centered on the willingness of entrepreneurs to engage in calculated business risks. Lumpkin and Dess (1996) identified venturing into the unknown as a generally accepted definition for risk taking. Recent research indicates that entrepreneurs score higher on risk-taking than do non-entrepreneurs, and are generally believed to take more risks than non-entrepreneurs because the entrepreneur faces a less structured and a more uncertain set of possibilities. Risk taking is also perceived as tendency towards risky projects (Wiklund & Shepherd, 2003)

Wiklund and Shepherd (2003) believed that risk-taking is the ability to take bold actions such as venturing into unknown new markets and committing a reasonable proportion of resources to ventures with uncertainty of outcomes. The essence of risk handling is to identify potential risks to a business, analyze, mitigate and prevent it, along with the tendency to balance the cost of protecting the business against a risk versus the cost of exposure to that risk. The rational way to manage risk is to perceive it at its inception, and taking charge of it right from its inception (Cornelia, 2004). Business owners need to take proactive measures in dealing with risks. A curvilinear relationship exists between risk-taking and firm's performance (Kreiser & Davis, 2010). Findings affirmed a better market performance among entrepreneurial firms that exhibit moderate levels of risk-taking in comparison to firms exhibiting either very high or very low levels of risk taking propensity.

Ibijoju and Akeke (2022) opined that It is essential to have an understanding of the factors that determine organisational performance, especially in the current economic uncertainty. This will give room for the management to be able to identify those elements to which more attention is to be devoted to enhancing the performance of the organisation. To this effect, this paper views performance of SMEs with special emphasis on sales volume (Ibijoju & Akeke, 2022).

## **1.2. Statement of the Problem**

Small and medium-sized enterprises in Nigeria in general and particularly in Southwest Nigeria, despite their fundamental roles in job creation and economic development, the sector is still faced with some basic challenges of pervasive issues like unsuitable operating environment, inadequate technical know-how, ineffective managerial skills, lack of government support systems and occasionally non-functional infrastructure (Ebitu, Glory & Alfred, 2016).

To this end, SMEs are compelled to rely on the private sector for provision essential infrastructure like roads, energy, transportation, and communications because of bureaucracy, red-tapes and ineffective government support systems and incentives (Ebitu, et al., 2016). These discourage potential SMEs owners while strangling existing ones (Onyenma, 2019). Discrimination from banks that are wary of taking the risk of lending to SMEs, especially start-ups; unequal competition brought on by import tariffs that occasionally favour imported finished products; a lack of access to appropriate technology and a dearth of research and development; a high reliance on imported raw materials with the attendant high foreign exchange cost and scarcity at times; and weak demand for products due to low and dwindling consumer demand (Akinwale, Adeyemi & Micheal, 2017).

These issues have hampered the ability of SMEs to achieve their objectives especially with regards to increasing their sales growth. Also, all these environmental imbroglios have created confusions in the minds of nearly all the stakeholders in SMEs' sector on how to take risk by making considerable investment in the sector. Therefore, the study examined the influence of entrepreneurial risk-taking propensity on sales performance of SMEs in Southwest Nigeria.

## **2.0. Literature Review**

### **2.1. Conceptual Review**

#### **2.1.1. Small and Medium-sized Enterprises (SMEs)**

SMEs are dominated by young individuals with an active age bracket (Ibijoju & Akeke, 2022). The sector is commonly seen as critical drivers of economic growth; nonetheless, even within the same country or region, there is no consensus on what makes a SMEs. However, the focus of this paper is on Nigeria's National Policy on SMEs, which defines micro enterprises as those with total assets of less than N5 million (excluding land and building) and fewer than 10 employees; small enterprises as those with total assets of more than N5 million but less than N50 million (excluding land and building) and between 10 and 49 employees; and medium enterprises as those with total assets of N50 million to less than N500 million (excluding land and building) and greater than 50 employees (including managers). The employment criterion takes precedence over the asset criterion when there is a conflict between the two (NEDEP, 2013).

As a result of its roles in the economy such as supply of raw materials and unskilled labour to giant firms, accounting for more than half of the Gross Domestic Products (GDP) in developing economies, ability to increase economic productivity while also raising the overall standard of living, the sector is considered to be the mainstay of the economy (Akingunola, 2011).

SMEs encourage entrepreneurship, provide job possibilities, and produce money (SMEDAN, 2017). Small and medium-sized enterprises (SMEs) are also recognized for introducing innovations, increasing manufacturing outputs, and increasing exports. Small and medium-sized enterprises (SMEs) are expected to provide between 40 and 55 percent of the nation's gross domestic product (GDP) and 50 to 80 percent of employment, with SMEs accounting for 75 percent of total employment in Nigeria (NEDEP, 2013). Nonetheless, due to ongoing organisational and environmental constraints, such as a lack of access to adequate and inexpensive funding, poor infrastructure, and a scarcity of entrepreneurial education and training, it has proven challenging for Nigerian SMEs to efficiently perform these duties (SMEDAN, 2017). A lack of core business knowledge, skills, and attitude, as well as high operational costs, marketing, and government policies, are among the other challenges (NEDEP, 2017).

Baig (2007) claimed that the private sector may lead to economic development, employment opportunities, and total wealth, and therefore to economic vitality and competitiveness, and hence, the sector needs to be supported. He believes that the private sector makes a large contribution to GDP and that releasing domestic resources (financial and entrepreneurial) will lead to more stable and sustainable growth patterns in the future. Small and medium-sized businesses (SMEs), which make up a large part of the private sector, are commonly considered as the engines of economic growth, the foundations of creativity and innovation, and the incubators for entrepreneurship (Baig, 2007).

### **Risk-Taking**

When it comes to business, risk-taking refers to the predisposition to accept risks such as venturing out into new markets and investing huge quantities of money in an uncertain enterprise, and borrowing excessively for corporate investments with a low level of predictability in an unpredictable environment (Lumpkin & Dess, 2001). Risk-taking, according to Mahmood and Hafani (2013), is defined as the deliberate allocation of resources to projects that have a high likelihood of generating large returns but also a high likelihood of failing. Many studies have revealed that in order to attain higher performance, businesses must be bold enough to take chances and disrupt the established order of things (Hughes & Morgan, 2007). According to Kithaka (2016), risk taking includes entering into fields that have not previously been explored or starting new ventures, having the predisposition to take risky acts such as approaching new markets that are unfamiliar, investing a magnanimous amount of one's resources in initiatives with unclear consequences, and/or significantly borrowing to fund one's endeavours.

Yeboah (2014) stated that early conceptions of entrepreneurship were predicated on the entrepreneurs' readiness to take calculated risks in the course of their businesses. Therefore, risk taking as a notion can be thought of as an attribute characteristic of entrepreneurship. Organisations with an entrepreneurial attitude, according to Dess and Lumpkin (1996), are more inclined to participate in risk-taking behaviour, make higher financial commitments, and look forward to achieving high results through the acquisition of market opportunities. On the other hand, a risk-averse management style causes companies to back away from cutting-edge products and technology, lowering the amount of innovation within their organisations (Boohene *et al.*, 2012). Kitigin (2017) refers to Risk-taking as propensity of a firm to engage in high-risk ventures and managerial preferences for bold versus cautious actions with the ability to achieve firm's objectives. Risk-taking entails the willingness to invest significant resources to opportunities with a reasonable chance of costly failure as well as success. Kort (2017) assert that successful leaders and entrepreneurs who are comfortable risk takers have developed a mindset around risk taking and a process by which to manage their risks in order to manage their emotions about the unknown, reap the benefits and maximize their returns when they take on risks to progress and grow. People are afraid to take risk because they want to be safe and avoid failure. Recent research indicates that entrepreneurs score higher on risk-taking than do non-entrepreneurs (Aseng, Diaka, & Soom, 2018). It is generally believed that entrepreneurs take more risks than non-entrepreneurs because the entrepreneur faces a less structured and more uncertain set of possibilities. Risk taking is also perceived as tendency towards risky projects (Abratt, & Lombard, 1993).

### **Sales Performance**

Sales performance is of great value to most firms, it is a key dimension used to measure firm performance. Sales growth in business firms is of widespread interest in economics and business research, but the drivers of such growth remain a source of debate (Dobbs & Hamilton 2007). Sales growth targets play a major role in the perceptions of top managers (Brush, Bromiley & Hendrickx, 2000). Sales growth is an important indicator of a firm's health and ability to sustain its business. Eliasson (1976) reports that planning systems generally begin with sales targets. An emphasis on sales growth also provides a useful and visible benchmark to motivate managers. Kaplan & Norton (1996) argue that firms must use a wide variety of goals, including sales growth, to effectively reach their financial objectives.

Sales performance as a key element of business growth is important; hence selling of products/services is one of the two ways to increase firm profits (Narver & Slater, 1990). Sales growth enables one to know the general health of the business; it aids in identifying if one is

meeting one's target. With sales growth it will be evident to investors that the business is successful. Factors that influence sales growth ranges from promotion to internal motivation and retaining of talented employees to implicit opportunities for investments in new technologies and equipment in the production process (Mohd, Mohd, & Yasuo, 2013; Brush, et al., 2000). They further said sales growth ought to be measured within the context of industry conditions and trends as well as local, regional and national economies.

## **2.2. Theoretical Review**

### **2.2.1. Competency Theory**

Competency theory by Boyatzis (1982) suggest that competency is a capacity that exists in a person that leads to behaviour that meets the job demands within the parameters of organizational environment, and that, in turn brings about desired results. Competency is composed of knowledge, skills, abilities and other characteristics which underlie effective or successful job performance. These competency attributes are observable and measurable and distinguish between superior and other performers.

The business operation is considered to be very complex in a competitive business environment which is constantly changing with fast technological advancements. An entrepreneur is expected to interact with these environmental forces which require the entrepreneur be highly competent in different dimensions like intellectual, attitudinal, behavioural, technical, and managerial aspects. Entrepreneurs are therefore permanently challenged to deploy a set of competencies to succeed in their entrepreneurial endeavours.

Based on the competency theory entrepreneurial competencies are defined as underlying characteristics possessed by a person which result in new venture creation, survival, and, /or growth. These characteristics include generic and specific knowledge, motives, traits, selfimages, social roles, and skills that may or may not be known to the person (Boyatzis, 1982). Some of these competencies are innate while others are acquired in the process of learning and training and development. The innate involves traits, attitudes, self-image and social roles (Bartlett & Ghoshal, 1990) and the acquired competency involve components acquired at work or through theoretical or practical learning (skills, knowledge, and experience).

In the context of a small business enterprise, these competencies are the characteristics of the entrepreneur, who owns and actively manages the business. For the purpose of the present study, entrepreneurial competencies can be looked in terms of entrepreneurial orientation. Entrepreneurial orientation is based on the entrepreneurial style of the business owner/manager. The entrepreneurial style in turn is a product of the entrepreneurial competences of the entrepreneur. When an entrepreneur has high entrepreneurial competences, they can create a new venture and ensure its survival and growth. Similarly, a high measure of entrepreneurial orientation corresponds to high performance thus insinuating high entrepreneurial competences.

### **2.2.2 Prospect Theory**

This another theory of risk propensity. Prospect theory observes the difference between the outcome and some mental reference point unlike utility theory that in which the decision maker attaches a value to each possible outcome. The reference point depends on how the decision is set up in the individual's mind, that is, on how it is "framed." A "value," which is the prospect theory analogue for a utility, is attached to each degree of change from the reference point. This theory which was propounded by Kahnemann and Tversky (1979; updated by Kahnemann and Tversky, 1992 as cited by Barry, 1998). It postulates further that the loss side of the reference point is steeper

than the gain side, termed loss aversion, and that sensitivity to losses or gains is marginally decreasing with the amount lost or gained. The implication is that the value function is S-shaped -- the decision maker is risk-averse for gains and risk-seeking for losses. It is also assumed that if the problem admits objective probabilities, the decision maker does not use these directly as weights for the values, but transforms them according to a certain function. Various auxiliary hypotheses are added for particular contexts, such as assumptions about how people edit the input to set up their decision or how they change their reference point over experience and time.

### **Empirical Review**

Adim and Bassey (2022) examined the influence of entrepreneurial risk-taking on sales growth of SMEs in Bayelsa State, Nigeria. The study adopted a cross-sectional survey research design. Primary data was generated through a structured questionnaire. The population of this study was 300 owners/managers of small and medium scale enterprises that are registered with SMEDAN and are operating in Bayelsa State, Nigeria as at 2021, hence, adopted as a census. The entire Data generated were analyzed and presented using both descriptive and inferential statistical techniques. Findings from the study revealed that entrepreneurial risk-taking significantly influence sales growth of SMEs in Bayelsa State, Nigeria. This study concluded that SMEs sales growth is positively enhanced when they develop their risk-taking propensity. Therefore, the study recommends that SMEs should be willing to take calculated risks with new business ideas, and in business decision making.

A study by Naldi, Nordqvist, Sjöberg, and Wiklund (2009) in Sweden looked into the influence of risk taking and performance of family and nonfamily firm. The study found out that though family businesses (largely SMEs) take risks as part of their entrepreneurial activities, they do it to a lesser extent than do nonfamily firms. The result of the study also indicated that the reason why family firms are less likely to take lower risk than other firms was because of contextual reasons such as governance structure likelihood of losing ownership of the business. In fact, the finding of the study suggests that risk taking has a negative effect on family business.

A similar study by Olson, Gilley and Walters (2002) examined the impact of top management team risk taking propensity on firm performance in United Kingdom. The data was collected through a mailed survey questionnaire answered by the top executives of small to large firms. Performance was looked in terms of financial performance, innovation and stakeholders' performance. The study found out that firms with top management that are willing to take risk are able to achieve superior levels of both financial and non-financial performance.

Hughes and Morgan (2007) also evaluated risk taking based on perceptions towards the term risk taking and calculated risk, as well as based on a statement about exploration in business activities. Surprisingly, Hughes and Morgan (2007) found that risk taking had a negative impact on product performance and no impact on customer performance. The authors argue that the reason for this finding may be that because risk taking is normally costly due to competitor responses, it may lead to drift and wastage of resources as firms in their early stages do not have the coordination mechanisms in place to direct the risk-taking behaviour in the best possible way. They suggest that risk taking may be beneficial for more mature companies, but not beneficial at the embryonic stage.

Kiprotich, Kimosop and Kemboi (2015) assessed the relationship between risk taking and Small and Medium Scale Enterprises (SMEs) performance in Nakuru County (Kenya). Explanatory research design was adopted and a sample of 214 SMEs was selected by stratified sampling

method. Primary data was collected using questionnaires. Though the study showed a moderate positive relationship, it was found that risk-taking has no significant effect on SME performance. From the foregoing discourse, the following null hypothesis was formulated for the study:

H<sub>01</sub>: Entrepreneurial risk-taking propensity does not significantly influence sales performance of SMEs in Southwest Nigeria.

### **3.0. Research Methods**

The study was carried out in southwest Nigeria. This consists the six Yoruba-speaking states of Lagos, Ogun, Oyo, Osun, Ondo, and Ekiti, commonly regarded as Southwest Nigeria's geopolitical zone of Nigeria. The zone is a combination of both highly educationally inclined people as well as abundance of natural resources (Ajayi, Aderinola, Afolabi, Alfred & Okunola, 2016). They are basically Yoruba ethnic group with common language and culture. The region has a population of 32.5 million people according to 2006 census representing approximately 21% of the total nation's population (Ajayi, *et al.*, 2016). The two predominant religions among the people are Christianity and Islamic. Geographically, the region is situated on tropical belt with Kwara and Kogi states border it on the north, Edo and Delta states on the east, Republic of Benin on the west, and the Atlantic Ocean on the south (Faleyimu *et al.*, 2013).

Descriptive survey research design was adopted in administering questionnaire to a sample of 400 SMEs owners in southwest Nigeria; using Yamane (1967) model. A total number of 400 questionnaire were distributed, while a total of 322 representing 80.5% were returned, successfully completed. These were collated for the study. The questionnaire was sectionalized into three as follows; section A presented the bio-data variables of the respondents. Section B measured roles played by entrepreneurial risk-taking propensity (which contains laying strong emphasis on introducing new business ideas ahead of competitors even if it has not been tried anywhere before, operating business with the strong mind that what comes may, we will succeed) in making good sales in SMEs as propounded by Klerk, Palmer and Wyk (2012 and Anton (2014) because they have been used by most previous studies such as Klerk, Palmer and Wyk (2012) and documented to have achieved high level of reliability and validity in various studies while, section C contained items relating to SMEs sales performance as used by Kithaka (2016) and modified.

All items of the questionnaire were measured using 5-Likert point rating scales as developed by Vagias (2006). The questionnaire were self-administered to the 400 respondents with the adoption of proportional sampling technique. This is to ensure fairness among all the heterogeneous categories of SMEs (manufacturing, production and services) while a basic random technique was employed to choose respondents in each category who were only the owners, managers and/or the supervisors of the SMEs. To examine the relationship between entrepreneurial risk-taking propensity and sales performance of SMEs in southwest Nigeria, the study adopted descriptive statistics (such as frequencies and percentages) and inferential such as structural equation modelling (SEM).

## **4.0. Results and Discussion**

### **4.1. Demographic Characteristics of the Respondents**

#### **Demographic Characteristics of the Respondents**

In this chapter, analysis of the data, its interpretation and discussion are presented. The data analysis follows the objective of the study. Out of a total of 400 administered questionnaire, three

hundred and twenty-two (322) were returned by the respondents, amounting to 80.5% of the total sample size under investigation. These were processed, analysed and utilized for the study.

Table 4.1 describes the characteristics of the respondents. Most (64.3%) of the respondents are males while 35.7% are females. The findings show that in Nigeria, a growing proportion of men are participating in small and medium businesses. The age distribution of the respondents shows that an appreciable spread across different age categories. The results show that about 11% are in the age bracket of 18 and 29 years; 20.5% are in the bracket of 30 and 35 years; 20.8% are between 36 and 40 years; 18.6% are between 41 and 45 years; 15.2% are in the bracket 46 and 50 years of age. Less than 15% of the population is over the age of 50. The findings indicate that SMES are dominated by young individuals in the active age bracket. The descriptive statistics of marital status show that 18% of the respondents are single, 71.7% are married while 10.2% are in the other categories of either divorced or widowed.

The statistics on years of education indicate that appreciable number of the sample entrepreneurs have sufficient level of education. High percentage (65.2%) of the respondents attained tertiary level of education. The percentage of the respondents with secondary level of education is 32.3% while 2.5% are at primary level. This clearly shows the level of priority given to Western education in southwest Nigeria. The distribution of position shows that 38.8% are owners of their business, 31.1% are managers of the business, 13.4% are supervisors while 16.8% are employees. The respondents' descriptive statistics demonstrate their ability to give the necessary information on the relationship between entrepreneurial orientation, cultural values, and SMES.

**Table 4.1: Demographic Characteristics of Respondents**

Variables	Description	Frequency	Percentage
Gender	Male	207	64.3
	Female	115	35.7
<b>Total</b>		<b>322</b>	<b>100</b>
Age (in years)	18-29	34	10.6
	30-35	66	20.5



	36-40	67	20.8
	41-45	60	18.6
	46-50	49	15.2
	51-55	26	8.1
	56-60	16	5.0
	61 and above	4	1.2
<b>Total</b>		<b>322</b>	<b>100</b>
Marital Status	Single	58	18.0
	Married	231	71.7
	Divorced	18	5.6
	Widow	15	4.7
<b>Total</b>		<b>322</b>	<b>100</b>
Level of Education	Primary	8	2.5
	Secondary	104	32.3
	Tertiary	210	65.2
<b>Total</b>		<b>322</b>	<b>100</b>
Position	Owner	125	38.8
	Manager	100	31.1
	Supervisor	43	13.4
	Employee	54	16.8
<b>Total</b>		<b>322</b>	<b>100.1</b>

Source: Filed Survey (2022)

#### 4.2 Characteristics of the Firms

Results in Table 4.1 show the characteristics of the sample firms. The age of the business measured in years show that about 40% of the firms have being in business for a period between 5 and 10 years. Meanwhile, 40.4% have been existing as a firm for a period between 11 and 15 years. Less than 20% of the sample firms have also been existing as an SME firm for a period above 20 years. The number of employees is also fairly distributed. The statistics shows that 4.3% of the firms have less than 10 number of employees; 57.1% of the firms have the highest number with the number ranging between 10 and 49 while 31.1% have the number of employees between 50 and 99. About 6.2% of the firms have employees between 100 and 199, while about 1.2% has employees of 200 and above. The results also show that 25.2% of the firms are into manufacturing, 40.1% are into production while 33.2% are into services.

**Table 4.2: Characteristics of the Firms**

Variables	Description	Frequency	Percentage
Age of the business (years)	5-10	129	40.1
	11-15	130	40.4
	16-20	32	9.9
	21-25	20	6.2

	26-30	6	1.9
	31-35	5	1.6
	36-40	0	0
<b>Total</b>		<b>322</b>	<b>100</b>
Number of employees	<10	14	4.3
	10-49	184	57.1
	50-99	100	31.1
	100-199	20	6.2
	≥200	4	1.2
<b>Total</b>		<b>322</b>	<b>100</b>
Type of firm	Manufacturing	81	25.2
	Production	129	40.1
	Services	107	33.2
	Others	5	1.6
<b>Total</b>		<b>322</b>	<b>100</b>

Source: Field Survey (2022)

#### 4.3. Objective: The influence entrepreneurial risk-taking propensity on sales performance of small and medium-sized enterprises in southwest Nigeria.

The CFA results on risk taking dimensions of EO are presented in Tables 4.3, 4.4 and Figure 4.1. In Table 4.3, the KMO results show a value of 0.469. The test on homogeneity of variance indicated by Bartlett's test shows that the items of risk-taking could adequately explain EO dimensions and the likely effect on SMEs' performance.

**Table 4.3: KMO Analysis of Risk-taking Construct**

##### KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.469
Bartlett's Test of Sphericity	Approx. Chi-Square	19.010
	Df	6
	Sig.	.004

Source: Data Analysis (2022)

Risk-taking ability of firms is crucial to ensuring overall performance of SMEs (Table 4.4). A number of risk-taking factors have been identified as crucial to improving SMEs. Table 4.4 indicates that risk-taking constructs such as having strong mind and will (Risk2) to attain success (0.965), strong emphasis on introducing new ideas (Risk3) and strong emphasis on experimentation (0.788). The results indicate the need for risk-taking measures in addressing SMEs performance.

**Table 4.4: Factor Analysis of Risk-taking Construct**

Component	Factor loading	Initial Eigenvalues		Extraction Sums of Squared Loadings		
		% of Variance	Cumulative %	Total	% of Variance	Cumulative %
Risk1	0.955	32.529	32.529	1.301	32.529	32.529
Risk2	0.964	25.463	57.991	1.019	25.463	57.991

Risk3	0.802	25.203	83.195	1.008	25.203	83.195
Risk4	0.788	16.805	100.000			

**Source: Data Analysis (2022)**

#### 4.4 Discussion of Findings

##### 4.4.1 Path Analysis of Confirmatory factor Analysis of the Model

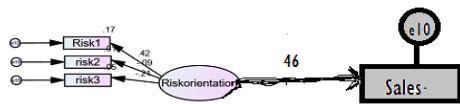
The path analysis of the model is illustrated in Table 4.5 and Figure 4.1. The results confirm the significance of the constructs of risk-taking factor of the sampled firms. At 1% level of significance, the constructs of risk-taking propensity are found to be significant. This is in corroboration with the study of Adim and Bassey (2022) which revealed that entrepreneurial risk-taking significantly influence sales growth of SMEs in Bayelsa State, Nigeria. The relationship of 0.46 between risk-taking propensity and firm's performance as revealed by r-square ( $r^2$ ) means the more the firms take advantage of risk taking propensity constructs in the management of their small business organisations, increase in performance could rise by 46%. This is also in conformity with the study of Olson, et. al (2002) which confirmed that firms with top management that are willing to take risk are able to achieve superior levels of both financial and non-financial performance.

However, the path analysis shows that most of the constructs are not statistically significant ( $P < 0.05$ ). This is also in line with the study of Naldi, et. al., (2009) which concluded that risk taking has a negative effect on family business.

**Table 4.5: Path Analysis of the CFA of the Risk Propensity Model**

			Estimate	C.R.	P
risk1	<---	Riskorientation	.248	3.105	***
risk2	<---	Riskorientation	.134	.149	.881
risk3	<---	Riskorientation	-3.119	-.886	.376

**Source: Data Analysis (2022)**



**Fig.4.1: Path Analysis of Risk Propensity and SMEs' Performance**

Source: Data Analysis (2022)

## Summary, Conclusion and recommendations

### 5.1 Summary

The population of the study was 23,289 registered SMEs in southwest Nigeria as at 2017. This was derived from the information obtained from the records of Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) (2017). The sample was 394 using Yamane (1967) model. Proportional sampling technique was adopted to identify the respondent to which the questionnaire was administered. This was to achieve fairness among all the heterogeneous categories of SMEs (manufacturing, production and services) while simple random technique was used to select respondents in each category. These were administered only to the owners or managers or the supervisors of the SMEs. The questionnaires were given to the respondents by hand and allowed to stay with them for a maximum of three days after which the questionnaire were collected back. The phone numbers of the respondents were collected by the researcher or research assistants at the time of delivery of the questionnaire for more expediting and effectiveness.

The total sample for this research work was 400 questionnaires, among the total sample, 322 questionnaires were duly returned, representing 80.5% of the total administered questionnaires which is observable for the research work and used for this research work. Data were analysed using descriptive and inferential statistics. The frequency tables of the respondents are included in the descriptive statistics. To achieve this objective, inferential statistics such as confirmatory factor analysis (CFA) was applied. Face and content validity tests were performed on the instrument.

The outcome of empirical analyses of the study and examination of its core objective indicated that risk taking propensity positively and significantly influenced the SME's performance. The null hypothesis was found to be false, while the alternative hypothesis was found to be true. The implication of this is that risk taking propensity has a significant impact on SMEs' performance in southwest Nigeria with r-square ( $r^2$ ) which was found to be 0.46 showing the strength of relationship that is 46%. This means the more the firms take advantage of risk taking propensity constructs in the management of their small business organisations, increase in performance could rise by 46%.

As a result of these findings, it is possible to conclude that risk-taking propensity is a key influencing factor of SMEs' performance in southwest Nigeria. It is therefore recommended that business owners should try to pay proper attention to those risk-taking propensity constructs such as having strong mind and will to attain success, strong boldness to introduce new ideas and strong emphasis on experimentation in order to achieve optimal performance of their firm. The results indicate the need for risk-taking measures in addressing SMEs performance.

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