Effect of Risk Taking on Business Performance Among Small and Medium Enterprises in Southwestern Nigeria

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ABSTRACT

The study examined the effect of risk taking on business performance among small and medium enterprises in Southwestern Nigeria. The study adopted a descriptive survey research design. Primary data were employed for the study. The study population comprised 26,744 SMEs in Southwestern Nigeria (NBS-SMEDAN, 2021 Report). A sample size of 394 SMEs were derived using the Taro Yamane (1967) formula for the study. Multi stage sampling technique was used for the study. Data were obtained through the administration of copies of a questionnaire. Data were analysed using mean, percentages and regression analysis.

The result of regression analysis in Table 2 indicates that all dimensions of risk-taking significantly predict sales growth. Uncertainty ($\beta = 0.35$, $p < 0.01$) has the most substantial effect, followed by psychological risk ($\beta = 0.25$, $p < 0.01$) and social risk ($\beta = 0.20$, $p < 0.01$), uncertainty ($\beta = 0.30$, $p < 0.01$) and psychological risk ($\beta = 0.20$, $p < 0.01$) significantly contribute to employment growth, while social risk ($\beta = 0.15$, $p < 0.05$) also has a positive effect. The result of regression analysis for customer satisfaction shows that all dimensions of risk-taking significantly predict customer satisfaction. Psychological risk ($\beta = 0.30$, $p < 0.01$) has the strongest effect, followed by uncertainty ($\beta = 0.25$, $p < 0.01$) and social risk ($\beta = 0.20$, $p < 0.01$). The study concluded that risk taking is a valid construct to predict SMEs performance in southwestern Nigeria

Keywords: Risk taking, Performance, Enterprises, Uncertainty, proactiveness, Innovation

BACKGROUND TO THE STUDY

Small and Medium Enterprises (SMEs) play a crucial role in the economic development of Nigeria, particularly in the southwestern region as they contribute significantly to job creation, innovation, and the overall economic growth of the country (Egberi & Ighoroje, 2021; and Adeniyi, Derera & Gamede, 2022). However, SMEs in Nigeria face numerous challenges, including limited access to finance, inadequate infrastructure, and a volatile business environment. In this context, the ability of SMEs to adapt and thrive is often linked to their entrepreneurial orientation, particularly their propensity for risk-taking.

Risk-taking is a fundamental aspect of entrepreneurial behavior, characterized by the willingness to engage in ventures that involve uncertainty and potential loss. In the dynamic and competitive landscape of southwestern Nigeria, where market conditions can be unpredictable, the capacity to take calculated risks can differentiate successful SMEs from those that struggle to survive.

Research has shown that risk-taking can lead to innovative practices, market expansion, and improved financial performance. However, the relationship between risk-taking and business performance is complex and may be influenced by various factors, including the external environment, organizational culture, and the specific characteristics of the SMEs themselves.

This study aims to explore the effect of risk-taking on business performance among SMEs in southwestern Nigeria, examining how different levels of risk-taking behavior impact various performance metrics, such as profitability, growth, and market share. By understanding this relationship, the study seeks to provide insights that can help SME owners and policymakers foster an environment conducive to entrepreneurial success and sustainable economic development.

Statement of the Problem

Despite the critical role that Small and Medium Enterprises (SMEs) play in the economic landscape of southwestern Nigeria, many of these businesses struggle to achieve sustainable growth and profitability. One of the key factors influencing the performance of SMEs is their approach to risk-taking. However, there is a lack of comprehensive understanding regarding how risk-taking behaviors specifically affect business performance in this region. Many SMEs in southwestern Nigeria operate in a challenging environment characterized by economic instability, regulatory hurdles, and intense competition. As a result, the decision to engage in risk-taking can be daunting for many entrepreneurs.

While some studies suggest that a higher propensity for risk-taking can lead to improved business outcomes, others indicate that excessive risk-taking may result in significant losses and business failure. This dichotomy raises important questions about the optimal level of risk that SMEs should undertake to enhance their performance. Furthermore, existing literature on the relationship between risk-taking and business performance is often generalized and may not adequately reflect the unique socio-economic and cultural context of southwestern Nigeria. There is a pressing need for empirical research that specifically examines this relationship within the local context, taking into account the distinct challenges and opportunities faced by SMEs in the region.

Objectives of the Study

The primary objective of this study is to investigate the effect of risk-taking on business performance among Small and Medium Enterprises (SMEs) in southwestern Nigeria. The specific objectives are as follows:

To examine the effect of uncertainty on sales growth, employment growth and customers' satisfaction

To investigate the effect of social risk on sales growth, employment growth and customers' satisfaction

To evaluate the impact of psychological risk on sales growth, employment growth and customers' satisfaction

Statement of Hypotheses

Uncertainty has no significant effect on sales growth, employment growth and customers' satisfaction.

Social risk has no significant effect on sales growth, employment growth and customers' satisfaction.

Psychological risk has no significant effect on sales growth, employment growth and customers' satisfaction.

Significance of the Study

The significance of this study on the effect of risk-taking on business performance among Small and Medium Enterprises (SMEs) in southwestern Nigeria can be articulated through several key dimensions. This study contributes to the existing body of knowledge on entrepreneurship by providing empirical evidence on the relationship between risk-taking and business performance. It offers insights into how different levels of risk-taking can influence various performance metrics, thereby enriching the academic discourse in the field of entrepreneurship. Furthermore, the findings of this study will serve as a valuable resource for SME owners and managers in southwestern Nigeria. By understanding the impact of risk-taking on performance, entrepreneurs can make informed decisions regarding their business strategies, ultimately leading to improved financial outcomes and competitive positioning in the market.

Policymakers and stakeholders can utilize the insights gained from this study to develop targeted policies and support programs that encourage responsible risk-taking among SMEs. By fostering an environment that promotes innovation and calculated risk-taking, policymakers can enhance the overall performance and sustainability of the SME sector. As SMEs are crucial to job creation and economic development, understanding the dynamics of risk-taking can lead to more resilient and successful businesses. This, in turn, contributes to broader economic growth and stability in southwestern Nigeria, benefiting the community and the nation as a whole.

This study lays the groundwork for future research on risk-taking and business performance in different contexts and sectors. It opens avenues for further exploration of related topics, such as the role of organizational culture, external environmental factors, and risk management strategies in shaping entrepreneurial outcomes. Finally by focusing specifically on the southwestern Nigerian context, the study addresses local challenges faced by SMEs, providing tailored recommendations that are relevant and actionable. This localized approach ensures that the findings are applicable and beneficial to the target audience.

LITERATURE REVIEW

Conceptual Review of Literature

The relationship between risk-taking and business performance has been a focal point of research in entrepreneurship and management studies. This conceptual review synthesizes existing literature on the effect of risk-taking on business performance, particularly in the context of Small and Medium Enterprises (SMEs) in southwestern Nigeria.

Understanding Risk-Taking in Entrepreneurship

Risk-taking is a fundamental characteristic of entrepreneurial orientation, which encompasses the willingness to engage in ventures that involve uncertainty and potential loss. According to Miller (1983), entrepreneurial orientation includes three dimensions: innovativeness, proactiveness, and risk-taking. Risk-taking is often viewed as a double-edged sword; while it can lead to significant rewards, it also carries the potential for failure.

Dimensions of Risk taking

Uncertainty

Uncertainty refers to the lack of predictability regarding the outcomes of decisions or actions. It encompasses various factors, including market uncertainty (Fluctuations in market demand, competition, and economic conditions that can affect business performance), Technological Uncertainty (The unpredictability associated with adopting new technologies or innovations that may not perform as expected) and Regulatory Uncertainty (Changes in laws and regulations that can impact business operations and strategies). Uncertainty is a fundamental aspect of risk-taking, as it reflects the unpredictability of outcomes associated with decisions. Knight (1921) distinguished between risk (measurable uncertainty) and uncertainty (unmeasurable), emphasizing that entrepreneurs often operate in environments characterized by uncertainty. This distinction is crucial for understanding how entrepreneurs assess risks and make decisions. In the context of risk-taking, uncertainty can drive entrepreneurs to take calculated risks in hopes of achieving competitive advantages or exploring new opportunities.

Social Risks

Social risks involve the potential negative consequences of decisions on relationships with stakeholders, including customers, employees, and the community. This dimension includes Reputation Risk (The possibility that actions taken by the business may harm its reputation or brand image), Stakeholder Reactions (The risk of backlash from customers, employees, or the community due to controversial decisions or practices) and Cultural Sensitivity (The challenges associated with entering new markets or engaging in practices that may not align with local cultural norms). Social risks pertain to the potential negative consequences of decisions on relationships with stakeholders. According to Fombrun (1996), a firm's reputation is a critical asset that can be jeopardized by risky decisions. Social risk-taking involves navigating stakeholder expectations and societal norms, which can vary significantly across different contexts. Social risks are particularly relevant in today's interconnected world, where public perception and social media can significantly influence a business's success.

Psychological Risks

Psychological risks pertain to the emotional and cognitive aspects of decision-making. This dimension includes Fear of Failure (The anxiety or apprehension that entrepreneurs may feel when considering high-stakes decisions that could lead to failure), Cognitive Biases (The influence of biases, such as overconfidence or loss aversion, on decision-making processes and risk assessment), Stress and Pressure (The psychological burden that comes with making risky decisions, which can affect an entrepreneur's mental well-being and performance). Psychological risks encompass the emotional and cognitive factors that influence decision-making. Simon (1955) introduced the concept of bounded rationality, suggesting that decision-makers operate under cognitive limitations, which can lead to biases in risk assessment. Psychological factors, such as fear of failure and overconfidence, can significantly impact an entrepreneur's willingness to take risks

Performance of SMEs

According to Oladele et al (2021) performance is a measure of how effective and efficient the mechanism/process put in place by an organisation attains its desired results. Performance is a notion that permeates contemporary societies (Oladimeji 2021). Adeyefa (2023) defined performance as the willingness of an individual to carry out the goals and objectives of an organisation. Organization performance is the ability of group of individuals to achieve certain of specific goals (Oladele et al; 2021). Organisational performance involves using of resources wisely to avoid wastage. Given by the interaction between organisations and environment, it follows that performance relates to how an organization reacts, understands and influence on certain environment changes.

A range of attributes/indicators, such as sales, assets, market shares, profits, and employment, can be used to assess small enterprises performance. Sales growth is widely used in the measurement of growth, according to Gürbüz and Aykol (2009), because it is simply recalled by micro business proprietors/bosses. They also noted that sales are how micro business proprietors/bosses determine their sales growth. However, Delmar advises against using single growth indexes as a metric. He claimed that the environment and industrial setup vary over time, and that these changes can affect various growth indices. As a result, this study used sales growth, employment growth and customers' satisfaction to evaluate the success of small enterprises in South West Nigeria.

Theoretical Review

The theoretical review on the effect of risk-taking on business performance among Small and Medium Enterprises (SMEs) in southwestern Nigeria draws upon several established theories in entrepreneurship and management. These theories provide a framework for understanding how risk-taking behaviors influence business outcomes and the contextual factors that may moderate this relationship.

Prospect Theory

Prospect theory, developed by Daniel Kahneman and Amos Tversky in 1979, is a behavioral economic theory that describes how individuals make decisions under conditions of risk and uncertainty. It challenges the traditional economic assumption that individuals are rational actors who always seek to maximize utility. Instead, prospect theory posits that people evaluate potential losses and gains differently, leading to systematic biases in decision-making. Understanding the principles of Prospect Theory can help SME owners in southwestern Nigeria recognize their biases in risk assessment. By acknowledging the psychological factors that influence their decision-making, entrepreneurs can adopt more balanced approaches to risk-taking that align with their business goals.

Institutional Theory

Institutional theory is a framework that examines how institutions—defined as established laws, norms, and practices—shape the behavior of organizations and individuals within a society. It emphasizes the role of social structures in influencing organizational actions and decision-making processes (DiMaggio & Powell, 1983). The theory posits that organizations are not only driven by market forces but also by the need to conform to the expectations and norms of their institutional environment. In the context of southwestern Nigeria, the institutional environment can significantly impact SMEs' risk-taking behaviors. SMEs operating in a challenging regulatory environment may be more cautious in their risk-taking due to fear of regulatory repercussions or market instability. Understanding the institutional context can help SMEs navigate these challenges and develop strategies that align with their risk appetite.

Dynamic Capabilities Theory

Dynamic Capabilities Theory (DCT) is primarily associated with David Teece, who, along with his co-authors Gary Pisano and Amy Shuen, articulated the foundational concepts of the theory in their influential paper titled "Dynamic Capabilities and Strategic Management," published in 1997. In this work, they introduced the idea that firms need to develop dynamic capabilities to adapt to rapidly changing environments and to sustain competitive advantage. David Teece is often credited as the leading figure in the development and popularization of Dynamic Capabilities Theory.

DCT assumes that business environment is constantly changing and characterized by uncertainty, complexity, and rapid technological advancements and that the ability to adapt and innovate is a key driver of competitive advantage in dynamic environments. DCT emphasizes the ability of SMEs to adapt, integrate, and reconfigure their resources in response to environmental changes, which is crucial for maintaining competitiveness and achieving better performance. Risk-taking is viewed as a vital component of dynamic capabilities, enabling firms to seize opportunities and respond to threats. In the volatile business environment of southwestern Nigeria, SMEs that develop dynamic capabilities through risk-taking can enhance their resilience and performance. By being willing to experiment and innovate, these firms can better navigate challenges and capitalize on emerging opportunities.

Dynamic Capabilities Theory extends the RBT by focusing on a firm's ability to adapt and reconfigure its resources in response to changing market conditions (Teece, 2007). This adaptability is crucial for small enterprises operating in the dynamic and often volatile environment of Southwest Nigeria. Hence, this study is anchored on this theory.

Empirical Review

Taofeek Sola Afolabi and Joseph Tugudu James (2018) examined the influence of risk management practices on the performance of SMEs in Osun state, south-western Nigeria. A total of 340 SME operators in the state were chosen for this study and primary data were collected through a structured questionnaire which was administered to managers/operators of the selected SMEs. A total of 330 copies of the questionnaire were returned having been correctly filled and deemed suitable for this research. A linear regression model, through the Ordinary Least Squares technique was used for the data analysis and test for hypothesis, with the aid of the E-view statistical software. The result from the analysis revealed a significant relationship between risk management and the performance of SMEs (t-value=23.47; $p<0.05$). The result further showed that attitude to risk positively affects risk management practices and that there is a strong positive correlation between risk identification and risk management ($r=0.92$). The study therefore concluded that risk management practices have significant and positive influence on the performance of SMEs in Osun state.

Obioma Uzoma Onyenma, Miebaka Dagogo Tamunomiebi and John Mark (2020) conducted a study to investigate the relationship between risk taking and performance of small and medium enterprises in Rivers and Bayelsa states of Nigeria. The unit of data generation was the firm and the corresponding level of analysis was the macro-level. A total of three hundred and sixty (360) small and medium enterprises studied constituted the study population, and a sample size of one hundred and eighty-six (186) was drawn using the Krejcie and

Morgan table. Data was collected through questionnaires distributed to the respondents. Statistical Package for the Social Sciences version 22 was used and inferential statistics such as Pearson Product Moment Correlation Coefficients, regression and p-values were calculated in order to ascertain the nature and direction of the proposed relations and for testing the stated hypotheses. Results revealed positive and significant relationship between risk taking and measures of small and medium enterprises performance.

In another study, Yakubu Bala, Aishatu Yahya, Hadiza Baba Ibrahim (2025) investigated the influence of Risk taking Behaviour on performance of small and medium scale enterprises in Adamawa State Nigeria. The study has one objectives, one research questions and one null hypotheses. The study adopted Correlational research design. The Sample size of this study is 100 registered Manufacturing Small and Medium Scale Enterprise SME in Adamawa State Nigeria. The instrument used for data collection is Risk taking on the Performance of SMEs Questionnaires (RTSMESQ). The Cronbach Alpha Coefficient for Entrepreneurial Orientation and Entrepreneurial Competencies on the Performance of SMEs Questionnaire (RTSMESQ) is found to be .883. Data collected were analyzed using SPSS version 23. Mean and standard deviation were used to answer the research questions while Pearson Product Moment Correlation Coefficients and multiple regression analysis were used in testing the null hypotheses. The finding also reveals a strong positive correlation between risk-taking behavior and SMEs performance, with an r-value of 0.839, $p < 0.05$.

Conceptual Framework

The conceptual structure of the study is depicted graphically below as Figure 1

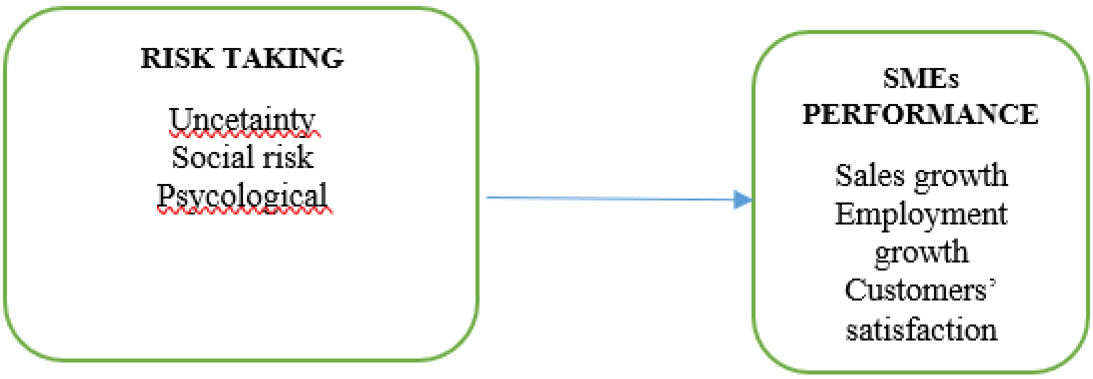

Figure 1: Conceptual framework of Entrepreneurial Risk taking

METHODOLOGY

This section outlines the methodology employed to investigate the effect of risk-taking on business performance among Small and Medium Enterprises (SMEs) in southwestern Nigeria. The methodology encompasses the research design, population and sample, data collection methods, and data analysis techniques.

Research Design

A quantitative research design was adopted for this study to facilitate the collection and analysis of numerical data. This approach allows for the examination of relationships between variables, specifically the impact of risk-taking on business performance. A cross-sectional survey design was utilized, enabling the collection of data at a single point in time from a diverse range of SMEs.

Area of study

This study examined the effect of risk taking on business performance among SMEs in southwestern Nigeria. The Southwest is one of the six geo-political zones of Nigeria which comprised of six states, namely, Ekiti, Ondo, Osun, Oyo, Ogun and Lagos States. It shares boundaries with south-south and north-central. The inhabitants of these six states are industrious. Southwestern Nigeria was chosen due to its nearness to the research centre which fosters easy accessibility of data. Furthermore, a large number of SMEs in Nigeria are in these states (NBS/SMEDAN 2021).

Population/sample size and sampling technique

Population and sample size

The population of the study comprised all small and medium enterprises across the six states in the southwest. The population of the study entails 26,744 SMEs in the six states (NBS- SMEDAN Report, 2021). From the total of 26,744 SMEs, the sample size is 394 respondents. This was derived through the formula for sample size determination (Taro Yamani, 1967). The formula is given as follows:

$$n = \frac{N}{1 + Ne^2}$$

$$n = \frac{26744}{1 + 26744 * 0.05^2} = 394$$

Where

n=sample size

N=the entire population

e=proportion of sampling error in a given situation, in this case (0.05)

Sampling Technique

Multi stage sampling technique was used for the study. At the first stage, stratified random sampling technique was used to select Lagos, Oyo and Osun states as states with the highest number of SMEs in South western Nigeria (NBS-SMEDAN, 2021 Report). Àt the second stage, purposive sampling technique was used to select 7 sectors based on the proliferations of small enterprises as stated in the NBS–SMEDAN Report, 2021. These include: Agriculture, Manufacturing, Building and Constructions, Trading, Hotel/ Restaurant, Estate/Renting and Education. At the third stage, the 392 respondents were selected from the chosen sectors within the States using proportional sampling technique.

Method of data collection

This study mainly employs primary data in an attempt to gather the data for this research study. A structured questionnaire approach was employed to collect data. To ensure that respondents have the flexibility to react truthfully and responsively, they were given the choice of responding immediately or later, allowing them to ponder on the questions addressed and respond at their most convenient time and convictions. Those who have difficulty understanding the questions were carefully led to ensure that the answers they provided reflect their real perception of the topic at hand.

All of these efforts were made to assure the correctness and authenticity of responses, as well as to ensure that the inferences drawn are founded on facts on the ground rather than simple guesses.

Techniques for Data Analysis

This study made use of both descriptive and inferential statistics. Descriptive statistics were employed to summarize the demographic characteristics of the respondents and the key variables of interest (risk-taking and business performance). Measures such as mean, standard deviation, and frequency distributions were calculated. Multiple regression analysis was conducted to examine the impact of risk-taking on business performance. All analyses were carried out with the aid of SPSS version 23 for windows.

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RESULTS AND DISCUSSION OF FINDINGS

The results and discussion section presents the findings from the data analysis on the effect of risk-taking on business performance among Small and Medium Enterprises (SMEs) in southwestern Nigeria. This section synthesizes the key results, interprets their implications, and situates them within the broader context of existing literature. A total of 394 copies of questionnaire were administered to the respondents which were the owners and managers of SMEs in the South west Nigeria. From the administered copies, 373 were returned which represented 94.7% of the total administered. The data collected were subjected to data cleaning procedure which removed 7 cases due to missing data and unengaged responses. Therefore, the study used 366 certified copies of the questionnaire which represented 92.9% of the returned questionnaire. The collected, usable questionnaire served as the foundation for the data that was presented, analysed and interpreted.

Socio - Demographic Characteristics of Respondents

The analysis in Table 5.1 shows the social demo-graphic characteristics of the respondents for this study. The distribution of respondents to the questionnaires were presented according to the demographic characteristics such as gender, marital status, age, education, form of business, current designation

As presented in the table, the sample consisted of a higher proportion of male respondents (57.3%) compared to female respondents (42.7%). These findings imply that the responses gathered were representative of both gender. However, the results reflected the prevalence of male respondents in the selected states.

Furthermore, the study showed that majority of respondents were aged between 25 and 34 years (30.1%), followed by those aged 35 to 44 years (24.6%) These imply that majority of the respondents were between 18 – 44 years (65.6%) The implication of this that most of the owners and managers of the SMEs were in their youthful age.

The study further revealed from the results as shown in the table that a significant portion of the respondents had tertiary education (55.0%), indicating a relatively high level of education among the sample. This implies that responses were got from respondents with adequate educational profile and therefore safe to rely on their judgment on data. Most respondents had been in business for 1 to 3 years (32.8%), suggesting that the sample included a mix of relatively new and established businesses. Distribution of respondents by designation shows 62.8% and 37.2% were owner manager and General Manager respectively. This implies that majority 62.8% are owner managers.

Table 5.1: Demographic Profile of the Respondents

Characteristics	Category	Frequency (n)	Percentage (%)
Gender	Male	210	57.3
	Female	156	42.7
Age Group	18-24 years	40	10.9
	25-34 years	110	30.1
	35-44 years	90	24.6
	45-54 years	80	21.9
	55 years and above	46	12.6
Educational Level	No formal education	25	6.8

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	Primary education	45	12.3
	Secondary education	95	25.9
	Tertiary education	201	55.0
Years in Business	Less than 1 year	50	13.7
	1-3 years	120	32.8
	4-6 years	90	24.6
	More than 6 years	106	28.9
Designation	Owner manager	230	62.8
	General manager	136	37.2

Source: Field Survey, 2025

Effect of Risk taking on SMEs Performance in Southwestern Nigeria.

This section presents a detailed analysis of the data collected from 366 SMEs in southwestern Nigeria, focusing on the effect of risk-taking on business performance. The analysis employs multiple regression analyses to examine the relationships between the dimensions of risk-taking (uncertainty, social risk, and psychological risk) and various performance metrics (sales growth, employment growth, and customer satisfaction).

Sales Growth Regression Analysis

The result of regression analysis in Table 2 indicates that all dimensions of risk-taking significantly predict sales growth. Uncertainty ($\beta = 0.35$, $p < 0.01$) has the most substantial effect, followed by psychological risk ($\beta = 0.25$, $p < 0.01$) and social risk ($\beta = 0.20$, $p < 0.01$).

Table 4.2 Effect of Risk-taking on Sales growth

Variable	Co efficient	Standard Error	t	Sig.
Intercept	1.20	0.15	8.00	0.000
Uncertainty	0.35	0.05	7.00	0.000
Social Risk	0.20	0.06	3.33	0.001
Psychological Risk	0.25	0.05	5.00	0.000
R^2	**0.42**			
Adj. R^2	**0.40**			
Significance level at 0.05				

Source: Authors computation, 2025

Dependent Variables: Sales growth

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Employment Growth Regression Analysis

The regression results for employment growth as shown in Table 4.3 indicate that uncertainty (β = 0.30, $p < 0.01$) and psychological risk (β = 0.20, $p < 0.01$) significantly contribute to employment growth, while social risk (β = 0.15, $p < 0.05$) also has a positive effect.

Table 4.3 Effect of Risk-taking on Employment growth

Variable	**Co efficient**	**Standard Error**	**t**	**Sig.**
Intercept	1.10	0.14	7.86	0.000
Uncertainty	0.30	0.05	6.00	0.000
Social Risk	0.15	0.06	2.50	0.013
Psychological Risk	0.20	0.05	4.00	0.000
R^2	**0.36**			
Adj. R^2	**0.34**			
Significance level at 0.05				

Source: Authors computation, 2025

Dependent Variables: Employment growth

Customer Satisfaction Regression Analysis

The result of regression analysis for customer satisfaction presented in Table 4.4 shows that all dimensions of risk-taking significantly predict customer satisfaction. Psychological risk (β = 0.30, $p < 0.01$) has the strongest effect, followed by uncertainty (β = 0.25, $p < 0.01$) and social risk (β = 0.20, $p < 0.01$).

Table 4.3 Effect of Risk-taking on Customers' Satisfaction

Variable	**Co efficient**	**Standard Error**	**t**	**Sig.**
Intercept	1.30	0.12	10.83	0.000
Uncertainty	0.25	0.04	6.25	0.000
Social Risk	0.20	0.05	4.00	0.000
Psychological Risk	0.30	0.04	7.50	0.000
R^2	**0.45**			
Adj. R^2	**0.43**			
Significance level at 0.05				

Source: Authors computation, 2025

Dependent Variables: Customers' Satisfaction

DISCUSSION

The findings from the inferential statistics indicate that risk-taking behaviors significantly influence the performance of SMEs in southwestern Nigeria. Specifically, embracing uncertainty is positively associated with sales growth ($\beta = 0.35$, $p < 0.01$), employment growth ($\beta = 0.30$, $p < 0.01$) and customer satisfaction ($\beta = 0.25$, $p < 0.01$). This suggests that SMEs that are willing to take calculated risks in uncertain environments can achieve better performance outcomes. Thus, the first hypothesis (H01) which states that uncertainty has no significant relationship with sales growth, employment growth and customers' satisfaction is rejected.

Furthermore, there is significant positive relationship between social risk and sales growth ($\beta = 0.20$, $p < 0.01$), employment growth ($\beta = 0.15$, $p < 0.05$) and customers' satisfaction ($\beta = 0.20$, $p < 0.01$). Hence, the second hypothesis (H02) which states that social risk has no significant relationship with sales growth, employment growth and customers' satisfaction is rejected. However, while social risk has a positive effect on performance, its impact is relatively smaller compared to uncertainty and psychological risk. This indicates that managing relationships with stakeholders is important but may not be as critical as other dimensions of risk-taking.

Psychological risk significantly influences all performance metrics with sales growth ($\beta = 0.25$, $p < 0.01$), employment growth ($\beta = 0.20$, $p < 0.01$) and customer satisfaction ($\beta = 0.35$, $p < 0.01$). Highlighting the importance of addressing the emotional and cognitive factors that affect decision-making in SMEs. Thus, the third hypothesis (H03) which states that psychological risk has no significant relationship with sales growth, employment growth and customers' satisfaction is rejected.

CONCLUSSION AND RECOMMENDATIONS

Conclusion

The study on the effect of risk-taking on the business performance of SMEs in Southwestern Nigeria reveals significant insights into how different dimensions of risk-taking—namely uncertainty, social risk, and psychological risk—impact key performance metrics such as sales growth, employment growth, and customer satisfaction. The findings indicate that there is a positive correlation between risk-taking behaviors and business performance. SMEs that embrace uncertainty and are willing to take calculated risks tend to experience higher sales growth, increased employment opportunities and greater customer satisfaction. Furthermore, among the dimensions of risk-taking, uncertainty has the most substantial effect on performance metrics, followed by psychological risk and social risk. This suggests that while all dimensions are important, the willingness to navigate uncertain environments is particularly critical for the success of SMEs. The findings from the study implies that risk taking is a valid construct to predict SMEs performance in the south west Nigeria

Recommendations

The following recommendations are suggested on the basis of the finding of this study

SMEs should foster a culture that encourages calculated risk-taking. This can be achieved through training programs that emphasize the importance of innovation and adaptability in uncertain market conditions

SMEs should invest in improving their decision-making processes by incorporating data analytics and market research. This will enable them to make informed decisions that balance risk and opportunity, ultimately leading to better performance outcomes.

Given the significance of social risk, SMEs should focus on building and maintaining strong relationships with stakeholders, including customers, suppliers, and the community. Engaging stakeholders can provide valuable insights and support, reducing perceived risks associated with business operations

Policymakers should collaborate with educational institutions and business associations to develop training programs focused on risk management and entrepreneurship. These programs can equip SME owners and employees with the skills needed to assess and manage risks effectively

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