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Influence Of Risk-Taking Behavior on Performance of Small and Medium Enterprises in Adamawastate, Nigeria.

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ABSTRACT
The study 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, $p < 0.05$. Lastly, the finding reveals that Similarly, risk-taking behavior emerged as a crucial factor, with a strong positive correlation observed between calculated risks and improved business outcomes. Entrepreneurs who embraced well-considered risks tended to achieve better performance levels.The study recommends, among other things, develop effective risk management strategies. Workshops and training programs focusing on assessing, mitigating, and leveraging risks should be introduced to empower entrepreneurs with the confidence to take calculated risks, development of effective risk management strategies. Workshops and training programs focusing on assessing, mitigating, and leveraging risks should be introduced to empower entrepreneurs with the confidence to take calculated risks. SMEs in Adamawa state should adopt policies to encourage employees to experiment with new workable ideas without minding the consequences. This will result in high social performance.

I. INTRODUCTION

Small and Medium Enterprises (SMEs) play increasingly imperative roles in promoting economic development and in driving sustainable market growth in service, production, and trading operations through attracting investment (Egberi&Ighoroje, 2021; and Adeniyi, Derera&Gamede, 2022). For SMEs in north east geopolitical zone of Nigeria, the importance of SMEs is not an exception, as they form the hub of development in both manufacturing and commercial activities. The performance and growth of small and medium enterprises (SMEs) is a major driver and indices for the level of industrialization, modernization, urbanization, gainful and meaningful employment for all those who are able and willing to work, income per capital, equitable distribution of income, and the welfare and quality of life enjoyed by the citizenry.

Small and medium enterprises (SMEs) are globally viewed as an important force driving the economic growth and employment creation in both developing and developed countries (Ariyo, 2008). SMEs make up the largest business sector in every world economy (Culkin& Smith, 2000), and governments around the globe are increasingly promoting and supporting the SME growth as part of their overall national development strategy (Abdullah & Bin Dakar, 2000). SMEs also contribute to employment growth at a higher rate than larger firms (Farouk & Saleh, 2011).SMEs represent 90% of the manufacturing and industrial sector in terms of number of enterprises in Nigeria. They contribute 48% of Nigerian GDP, account for 96% of businesses and 84% of employment compared to South Africa where SMEs contribute 52% of GDP, 91% of businesses and 60% of employment. (PwC Nigeria SME Survey, 2017).

A Small and Medium Enterprise (SME) is an enterprise that has asset base (excluding land) of between N5million and N500million and labour force of between 10 and 300 people (CBN2010). The national policy on small and medium enterprises also defined SMEs based on employment and asset base. A micro enterprise is defined as a business with less than 10 employees and asset base of less than N5million. A small enterprise is a business with between 10 and 49 employees and asset base of between N5million and less than N50million. While a medium enterprise is a business with between 50 and 300 employees and asset base of between N50million and N500milliom (SMEDAN 2003).

The performance and growth of small and medium enterprises (SMEs) is a major driver and indices for the level of industrialization; modernization; urbanization, gainful and meaningful employment for all citizenry in any nation (Aremu&Adeyemi, 2011). SMEs Performance refers to the level of achievement or achievements of the SMEs within a Certain time period. The company's performance is crucial in the development of the company. The company's goal to continue to exist, gain, and can thrive (growth). Small and medium scale enterprise performance in Nigeria has been viewed in terms of sales growth, competitive advantage, expansion and profitability.

SMEs with strong entrepreneurial orientation are often characterised by high risk-taking behaviour, such as high debt increment or increased exposure, to obtain high returns by grasping opportunities in the marketplace (Knight, 2000). Risk taking is seen as a defining characteristic of entrepreneur and entrepreneurship (Block, Sandner, & Spiegel, 2015). Entrepreneurial firms tend to take more risk than other firms and are more proactive in venturing into new business (Kreiser, Marino, & Weaver, 2002). The concept that risk is an important element of entrepreneurship is seen throughout the entrepreneurial literature (Caliendo, Fossen, &Kritikos, 2010). According to Zinkhan and Karande (1990), risk takes place when an individual's actions results in social and economic consequences that cannot be predicted with certainty. Risk taking is also perceived as tendency towards risky projects (Covin and Slevin, 1991). It is expected that firms that have better performance would also have a higher level of risk propensity (LekoSimic&Horvat, 2006). Risk-taking propensity can then be defined as a tendency to take or avoid risks and it is regarded as an individual characteristic. Risk-taking also connotes a tendency to take bold steps such as venturing into unknown and new market (Lumpkin &Dess, 2001; Wiklund& Shepherd, 2005). It can also be associated with willingness to commit large amount of resources to a project which the probable cost and chances of failure are high (Keh, et al, 2007; Baker & Sinkula, 2009). In seizing opportunities in the marketplace, risk-taking concerns firms' tendency to take bold actions such as venturing into unknown markets, committing a substantial amount of resources to ventures with uncertain outcomes, as well as the tendency to borrow heavily hoping to reap high returns (Dess et al., 2007; Etebang, Harrison & Ernest, 2010).

In this study SME risk taking involve uncertainty about the future effects of current decisions that business choices should consist of an assessment of outcomes and possibilities that it differs from expectations.SMEs suffer from a number of challenges that translates into costly and inefficient business performance, thus painting the country's performance poorly across two major surveys. According to Fatoki (2014), problems encountered by small businesses are numerous and can be described among others as being environmental, financial or managerial, Also, the lack of understanding of how small and medium firms can develop their risk taking behaviour and secure their future performance. Given the myriad of challenges faced by SMEs, the benefits of having a competent entrepreneur cannot be overemphasized. Ogechukwu (2011) posits that SMEs success largely depend on a competent entrepreneur. The question here is thus, can improvement in risk taking behaviour leads to higher performance of SMEs in Adamawa State Nigeria?

II. PROBLEM STATEMENT

Small and Medium Enterprises (SMEs) contribute significantly towards the development of an economy. SMEs provide avenues to different stakeholders to contribute in economy (Saeed et al., 2014). Most of the developed countries understand the importance of SMEs in contribution to economic growth (Savlovschi, &Robu, 2011). In the current dynamic world SMEs is identified as engine of growth and playing a significant role in economic growth, innovation, employment generation and poverty reduction. Although SMEs have played crucial role in contributing in the economic growth, there is still a long way to achieve the desired growth level. SMEs are crucial for economic development in north east region, where they contribute significantly to job creation, innovation and economic development. Despite their importance, SMEs in Adamawa state face numerous challenges that impede their performance and

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growth. These challenges are limited access to finance, inadequate infrastructure, constraint market opportunity. Additionally, Risky taking behavior of SMEs owners and managers are critical determinant of their ability to overcome these challenges and achieve sustainable success. SMEs suffer weak performance and high failure rates world over (Machirori&Fatoki, 2013). Minai, *et al*. (2018) stated that the failure rate of SMEs is high in Nigeria. Ajose (2010) asserts that SMEs spring up in Nigeria almost on a daily basis and no sooner are they established that they fold up mostly within the first few years of operation. Previous studies have identified that a great number of new SMEs fail within the initial five years of their commercial operations (Hyder&Lussier, 2016). Survival is a great challenge to majority of them that are starting up and even those that are already established.

Jamil (2013), reported that the major challenge facing SMEs in Nigeria is increasing rate of business failure which he attributed to low level of entrepreneurial orientation. Kuteyi(2013) also acknowledged that most Small and Medium Enterprises fail in Nigeria due to business owners possessing high technical component but lacking in component of risk taking behaviour. However, the issue in this study is that do the owners/managers of this SMEs in Adamawa State possess the right risk taking behaviour? despite the increasing challenge of business failure occasioned mainly by increasing harsh business environment; the need to accord priority to research in this area therefore, becomes imperative to conduct empirical studies on the influence of risk taking behaviour on performance of small and medium scale enterprises in Adamawa State Nigeria.

PURPOSE OF THE STUDY

The purpose of this study is to examine influence of risk-taking behavior on performance of Small and Medium Enterprises in Adamawa State, Nigeria.

RESEARCH QUESTIONS

The research work is expected to provide answers to this research question:

1. What is the extent of risk- taking behavior of Small and Medium Enterprises in Adamawa State, Nigeria?

HYPOTHESES

The following hypotheses are formulated in a null form to guide the study:

1. Risk taking behavior has no significant influence on performance of Small and Medium Enterprises in Adamawa State, Nigeria.

III. METHODOLOGY

This study employed a survey research design approach. The Sample size of this pilot study is 100 Small and Medium Scale Enterprise SME in Adamawa State Nigeria. The instrument for data collection is a structured questionnaire. All the necessary data for this study was collected from the respondents through self-administered questionnaire titled: Risk Taking Behaviour on the Performance of SMEs (RTBPSMESQ) and the instrument was divided into two section A and B. Section A illicit information items on influence of risk-taking on performance of SMEs while section B illicit information on SMEs performance. The data collected was analyze using SPSS version 23. Cronbach Alpha method was used to obtained the reliabity coefficients of the instrument. Mean and standard deviation were used to answer the research questions. PPMC was used to test the null hypotheses. Cohen, Manion, and Marrison (2007) state that correlation analysis involves the collection of two sets of data, one of which will be retrospective, with a view to determining the relationship between them.

IV. Data Analysis and Results

Table 1: Inter – Item Correlations Matrix of the Items of Risk- taking Behavior of Small and Medium Enterprises in Adamawa State.

Item	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
SMEs' extent of regular demonstration of a strong suitability of high risk initiatives. (1)	1.000									
SMEs' extent of taking risks when investing despite all environmental constraints. (2)	.709	1.000								

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Our extent of approaches to uncertainty to reduce the likelihood of making costly decisions. (3)	.551	.683	1.000							
SMEs' extent of risk weighing against fresh concepts. (4)	.554	.528	.571	1.000						
SMEs extent of strong focus on innovation and exploration. (5)	.461	.488	.536	.546	1.000					
Our extent of risk taking comfortability, handling and comprehension. (6)	.476	.392	.462	.580	.720	1.000				
Our extent of evaluating of potential risks to determine whether it can be manage them before taking them on. (7)	.428	.391	.317	.466	.580	.698	1.000			
SMEs' extent of moderating risks as preferred by the firm. (8)	.354	.411	.396	.441	.577	.582	.652	1.000		
SMEs' extent of reducing risks associated with business transactions. (9)	.500	.397	.388	.464	.502	.585	.574	.731	1.000	
SMEs' extent of constant tests of new goods/services that carry a high failure rate. (10)	.516	.499	.440	.514	.488	.522	.517	.575	.753	1.000

The inter-item correlations matrix presented in Table 1: for Risk-Taking Behavior of SMEs highlights the relationships among items assessing this dimension. Correlations range from 0.317 to 0.753, indicating a mix of moderate to strong relationships. The highest correlation (0.753) is between the extent of reducing risks associated with business transactions and the constant testing of new goods/services that carry a high failure rate. This suggests a strong conceptual overlap between managing risks and embracing uncertainty in innovation. Additionally, the correlation of 0.709 between demonstrating a strong suitability for high-risk initiatives and taking risks despite environmental constraints underscores the consistency of risk-taking behavior in dynamic conditions. The results confirm that the items reliably measure the facets of risk-taking behavior in SMEs.

Research Question

What is the extent of risk- taking behaviour of Small and Medium Enterprises in Adamawa State, Nigeria?

Table 2: Mean and Standard Deviation of the Extent of Risk- takingBehaviour of Small and Medium Enterprises in Adamawa State, Nigeria

S/N	Item	Mean	S.D	Remark
1	SMEs' extent of regular demonstration of a strong suitability of high risk initiatives.	3.44	0.80	ML
2	SMEs' extent of taking risks when investing despite all environmental constraints.	3.31	0.81	ML
3	Our extent of approaches to uncertainty to reduce the likelihood of making costly decisions.	3.35	0.82	ML
4	SMEs' extent of risk weighing against fresh concepts.	3.24	0.77	ML
5	SMEs extent of strong focus on innovation and exploration.	3.28	0.90	ML
6	Our extent of risk taking comfortability, handling and comprehension.	3.23	0.85	ML
7	Our extent of evaluating of potential risks to determine whether it can be manage them before taking them on.	3.17	0.82	ML
8	SMEs' extent of moderating risks as preferred by the firm.	3.19	0.85	ML
9	SMEs' extent of reducing risks associated with business transactions.	3.34	1.02	ML
10	SMEs' extent of constant tests of new goods/services that carry a high failure rate.	3.12	1.03	ML

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Grand Mean	**3.27**	**0.87**	**ML**

Table 2: reveals that SMEs in North East Nigeria exhibit a moderate extent of risk-taking behavior, with a grand mean of 3.27 (SD = 0.87). The highest-rated item was *"SMEs' regular demonstration of a strong suitability of high-risk initiatives"* (Mean = 3.44, SD = 0.80). Other moderately rated behaviors include *"approaches to uncertainty to reduce the likelihood of making costly decisions"* (Mean = 3.35, SD = 0.82) and *"reducing risks associated with business transactions"* (Mean = 3.34, SD = 1.02). However, items like *"constant testing of new goods/services with high failure rates"* (Mean = 3.12, SD = 1.03) and *"evaluating potential risks before managing them"* (Mean = 3.17, SD = 0.82) also show moderate engagement. This indicates that SMEs are cautious and strategic in their risk-taking but may benefit from enhanced capabilities to handle high-risk scenarios innovatively.

RESULTS OF HYPOTHESES

Risk taking behavior has no significant influence on performance of Small and Medium Enterprises in Adamawa State, Nigeria

Table 3: Pearson Product Moment Correlation Coefficient of Relationship between Risk Taking Behaviour and performance of Small and Medium Enterprises in Adamawa State, Nigeria

Variable	N	Mean	SD	r-value	p-value	Decision
Risk taking behavior	100	3.27	0.87	0.839	0.000	H_{02} is rejected
SMEs Performance	100	4.18	0.62			

Table 3: reveals a strong positive correlation between risk-taking behavior and SMEs performance, with an r-value of 0.839. The mean scores for risk-taking behavior and SMEs performance are 3.27 (SD = 0.87) and 4.18 (SD = 0.62), respectively. The p-value of 0.000 confirms the statistical significance of the relationship, leading to the rejection of the null hypothesis (H02). This suggests that risk-taking behavior significantly impacts SMEs performance in North East, Nigeria.

V. FINDINGS OF THE STUDY

1. The finding also reveals a strong positive correlation between risk-taking behavior and SMEs performance, with an r-value of 0.839, $p < 0.05$.
2. The study found that there is a positive and significant relationship between risk taking and performance of SMEs in Adamawa states.
3. Similarly, risk-taking behavior emerged as a crucial factor, with a strong positive correlation observed between calculated risks and improved business outcomes. Entrepreneurs who embraced well-considered risks tended to achieve better performance levels.

VI. RECOMMENDATIONS

Based on the findings and observations from the study, the following recommendations were made:

1. The strong positive correlation between risk-taking behavior and performance highlights the need for SMEs to develop effective risk management strategies. Workshops and training programs focusing on assessing, mitigating, and leveraging risks should be introduced to empower entrepreneurs with the confidence to take calculated risks.
2. SMEs in Adamawa State should adopt policies to value new strategies/plans even when they were certain such strategies/plan may not work exposed them to big business opportunities which increased their sales volume and asset acquisition. SMEs risk exposures increased their sale
3. SMEs in Adamawa state should adopt policies to encourage employees to experiment with new workable ideas without minding the consequences. This will result in high social performance.

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