



JATSS, 2023 ; 5(2), 217-233

First Submission:04.01.2023

Revised Submission After Review:26.06.2023

Accepted For Publication: 29.06.2023

Available Online Since:30.06.2023

Research Article

**Social and Economic Determinants of Business Risk-Taking Propensity Among
Entrepreneurs of Small and Medium Scale Enterprises in Akoko Region, Ondo State,
Nigeria**

Samuel Ayodeji Omolawal^a

Abstract

This study investigated social and economic determinants of business risk-taking propensity among Entrepreneurs of Small and Medium scale Enterprises (SMEs) in Akoko Region, Ondo State. It utilised descriptive research design. Study population comprised SMEs entrepreneurs in the four local governments making up the study location. Collection of primary data was done using Questionnaire administered on randomly selected 241 respondents and 8 in-depth interviews. Quantitative data were analysed with descriptive statistics involving T-test of independent measures while qualitative data were content analysed. Younger entrepreneurs expressed higher levels of risk-taking propensity than their older counterparts [$t(241) = 4.47$; $p < .05$]; Male entrepreneurs expressed higher degree of risk-taking propensity than their female counterparts [$t(241) = 1.577$; $p < .05$]; highly experienced entrepreneurs expressed lower level of risk-taking propensity than their less experienced counterparts [$t(241) = 3.02$; $p < .05$]. However, there was no significant influence of education [$t(241) = 1.099$; $p < .05$]; and religious leaning [$t(241) = 1.062$; $p < .05$] on risk-taking propensity among entrepreneurs. Also, financial capital [$\beta = .091$, $t = 1.385$], stability of electricity [$\beta = .020$, $t = .329$], business location [$\beta = .191$, $t = 2.418$], customer base [$\beta = .041$; $t = .642$], and market competition [$\beta = -.146$], were low predictors of risk-taking propensity. SMEs entrepreneurs are enjoined to master their entrepreneurial domain, the knowledge of which will enhance their risk-taking propensity.

Keywords: entrepreneurs, risk-taking propensity, small and medium scale enterprises, Akoko Region

JEL Codes: D81, D91, L26

^a PhD., University of Ibadan, Faculty of the Social Sciences, Department of Sociology, Ibadan/Nigeria, shomolawal@gmail.com, ORCID ID: <https://orcid.org/0000-0002-8023-5306> (Corresponding Author)



JATSS, 2023; 5(2),217-233

İlk Başvuru: 04.01.2023

Düzeltilmiş Makalenin Alınışı: 26.06.2023

Yayın İçin Kabul Tarihi: 29.06.2023

Online Yayın Tarihi: 30.06.2023

Araştırma Makalesi

**Akoko Bölgesi, Ondo Eyaleti, Nijerya'daki Küçük ve Orta Ölçekli İşletmelerin
Girişimcileri Arasında Ticari Risk Alma Eğiliminin Sosyal ve Ekonomik Belirleyicileri**

Samuel Ayodeji Omolawal^a

Öz

Bu çalışma, Ondo Eyaleti, Akoko Bölgesi'ndeki Küçük ve Orta Ölçekli İşletmelerin (KOBİ'ler) Girişimcileri arasında iş riski alma eğiliminin sosyal belirleyicilerini araştırdı. Betimsel araştırma tasarımı kullanılmıştır. Çalışma popülasyonu, çalışma yerini oluşturan dört yerel yönetimdeki KOBİ girişimcilerinden oluşmaktadır. Birincil verilerin toplanması, rastgele seçilen 241 katılımcıya uygulanan Anket ve 8 derinlemesine görüşme kullanılarak yapıldı. Nicel veriler, bağımsız ölçümlerin t-testini içeren betimsel istatistiklerle, nitel veriler ise içerik analiziyle analiz edilmiştir. Daha genç girişimciler, daha yaşlı meslektaşlarına göre daha yüksek düzeyde risk alma eğilimi ifade ettiler [t (241) =4.47; p<.05]; Erkek girişimciler, kadın meslektaşlarına göre daha yüksek derecede risk alma eğilimi ifade ettiler [t (241) =1.577; p<.05]; oldukça deneyimli girişimciler, daha az deneyimli meslektaşlarına göre daha düşük düzeyde risk alma eğilimi ifade ettiler [t (241) =3.02; p<.05]. Ancak, eğitimin anlamlı bir etkisi yoktu [t (241) =1.099; p<.05]; ve dini eğilim [t (241) =1.062; p<.05] girişimciler arasında risk alma eğilimi üzerine. Ayrıca finansal sermaye [$\beta = .091$, t=1.385], elektrik istikrarı [$\beta = .020$, t=.329], iş yeri [$\beta = .191$, t=2.418], müşteri tabanı [$\beta = .041$]; t=.642] ve piyasa rekabeti [$\beta = -.146$], risk alma eğiliminin önemli yordayıcılarıydı. KOBİ'lerin girişimcilerine, bilgisi risk alma eğilimlerini artıracak olan girişimcilik alanlarında uzmanlaşmaları emredilir.

Anahtar Kelimeler: girişimciler, risk alma eğilimi, küçük ve orta ölçekli girişimler, Akoko Bölgesi

*JEL Kodlar:*D81, D91, L26

^a PhD., University of Ibadan, Faculty of the Social Sciences, Department of Sociology, Ibadan/Nigeria, shomolawal@gmail.com, ORCID ID: <https://orcid.org/0000-0002-8023-5306> (Sorumlu Yazar)

Introduction

The significance of Small and Medium Scale Enterprises (SMEs) in any economy cannot be over-emphasised, and they have variously been described as the 'engine growth' of the economy. This assertion arises from the fact that most nations of the world who have paid attention to the SMEs sub-sector and ensured its vibrancy have been able to significantly reduce poverty and unemployment, and consequently improved the standard of living, reduced rate of crime, increase in per capita income as well as accelerated growth in their Gross Domestic Product (GDP) among other effects. Historically, SMEs have enhanced job creation. Also, in addition to provision of job opportunities, SMEs have also assisted in curtailing migration from rural to urban locations and local resource utilisation. In the process of producing intermediary products used by large scale companies, SMEs contribute to the strengthening of linkages and integration in industrial sector (Onyeonoru, Okunola & Omolawal, 2019, Abodunde, 2020). There is a general agreement that if all relevant stakeholders show serious commitment to SME sub-sector, national economies will undoubtedly witness sound transformation and prosperity. This therefore suggests that an effective and vibrant SME sub-sector has the capability to generate multi-faceted benefits for all actors including the stakeholders, employers, employees, customers, and nations as a whole.

Despite their characteristics and the attendant challenges, literature has shown that SMEs, globally regarded as the engine room and centre of attraction for any nation's economic development, growth and prosperity have not performed well in many African countries, and in Nigeria in particular (Fatai, 2018). The reasons for the poor performance have been explained from different perspectives, depending on each analysts. Factors responsible for the poor performance can be categorised into financial, infrastructural, forces of the market, economic policies, employee-centred and so on.

Apart from the various factors that have been identified as affecting the viability and sustainability of SMEs, scholars have also argued that the success or failure of SMEs depends, to a great extent, on the entrepreneurship of the business owners in terms of knowledge, skill, attitude and disposition, general competence, business acumen, foresight, willingness and ability to take business risks (Adeniyi, 2019). The role and importance of entrepreneurship as a vital factor in the success and sustenance of SMEs and for general economic development are beginning to receive greater and greater attention, and more widely acknowledged. According to Audretsch, Carree, Van Stel & Thurik, (2002). entrepreneurship is a significant source of innovation, creation of job and growth, and that it is not easy to capture the concept of entrepreneurship because there is no definition that is generally accepted, but because it is, most times, associated with the idea of innovation and creation of something new, it is often treated as being equivalent to new business creation, and consequently, business ownership. Not only are SMEs entrepreneurs facing increasing and dynamic competitive pressures and changing and expanding consumer needs, but they are also introducing different economic activities to satisfy consumers.

To further promote interests, education and competences in management of SMEs, in Nigeria, the federal government has mandated all tertiary institutions to introduce entrepreneurship or entrepreneurial studies in their curricula. Many institutions have gone a step further to introduce Centres for Entrepreneurial studies in their institutions where entrepreneurial education is provided for their students. The philosophy behind this is to equip students with entrepreneurial education which will ultimately ignite their interests and enhance their desire to go into SMEs after graduation and to reduce the search for employments in the formal sector which are not forth coming. Various loan facilities and empowerment

programmes have further been introduced by the governments at various levels to provide take-off grants for interested individuals and to expand existing businesses. (Adeniyi, 2019). However, despite the available facilities, there is the question relating to the extent at which individuals are capable or willing to take risks to dabble into business ventures or expand existing ones in an unstable economic environment. Available statistics in Nigeria has shown that not many SMEs have succeeded in graduating into large firms despite the increasing number of SMEs and entrepreneurial education. This phenomenon is probably due to the low level and interests among entrepreneurs to take risks to embark on new SMEs, diversify and/or expand their businesses due to uncertainties and challenges associated with larger firms.

Taking business risks is an essential part of entrepreneurship. Business venture operators must know when to take a particular action such as seeking loans, expanding, diversifying and how to judge the possible accruable benefits of taking risks. Entrepreneurs also need to have a risk-taking sense and ability, because lack of these is capable of killing a business. But at the same time, they need to balance the impulse; because poor or inadequate risk-taking can threaten businesses, their owner's credits, and finances and possibly the personal lives of such owners. Willingness to take risks has several advantages including gaining a competitive edge over others, moving a business forward, securing the reputation of having good business acumen among others. Entrepreneurs with knowledgeable risk-taking spirit will likely see opportunities and potentialities which others don't see and may be able to identify trends far ahead before the market becomes saturated. On the other hand, reckless, impulsive and careless business risk takers may lose their investment and the trust of their workers and customers. They may also over-estimate their businesses' potential for profitability, thereby resulting in failure and losses.

Risk-taking propensity is a major determinant and ingredient of entrepreneurial activities and has implications for the success of such activities. According to Begley (2005) propensity to take risks is the willingness to take moderate risks. It can be effectively conceptualised as an individual's orientation and ability to take chances in any decision-making scenario. The assumption in this analysis is that individuals have different risk-taking propensities; while some may be high risk takers, some may be low risk takers. Furthermore, risk-taking propensity differs from one business venture to another business venture, and from individuals to individuals; although it is obvious that without it, entrepreneurship may not likely be as dynamic, interesting and challenging as it is today. In general, propensity to take risks has implications for the profitability, growth, and survival of SMEs. Undoubtedly, behaviours of entrepreneurs against risks are influenced by many demographic factors including income group, ages, sex, profession, experience and other socio-economic factors such as capital, market competition, business location, electricity supply among others which may differ from society to society (Sproten, et.al, 2010; Linan, et al, 2011; Aladejebi, 2018). These factors provide unpredictability and dynamics that influence the outcome of business decision makings.

Most studies on SMEs have focused on infrastructural, financial, and economic factors affecting SMEs in Nigeria with little or no attention paid to factors surrounding the entrepreneurs themselves as human beings in terms of their competences, skills, and knowledge. Worse still, the psychological dispositions of entrepreneurs in terms of their attitude to, ability and willingness to take risks to start up a business or to expand existing ones or diversify, have received little or no attention. Also, most studies relating to the competence and attitude of entrepreneurs have been conducted in big cities like Ibadan, Lagos, Port-Harcourt, while less urban areas like Akoko region seem to have been neglected. It is against this backdrop that this study was designed to investigate the Social and Economic determinants of

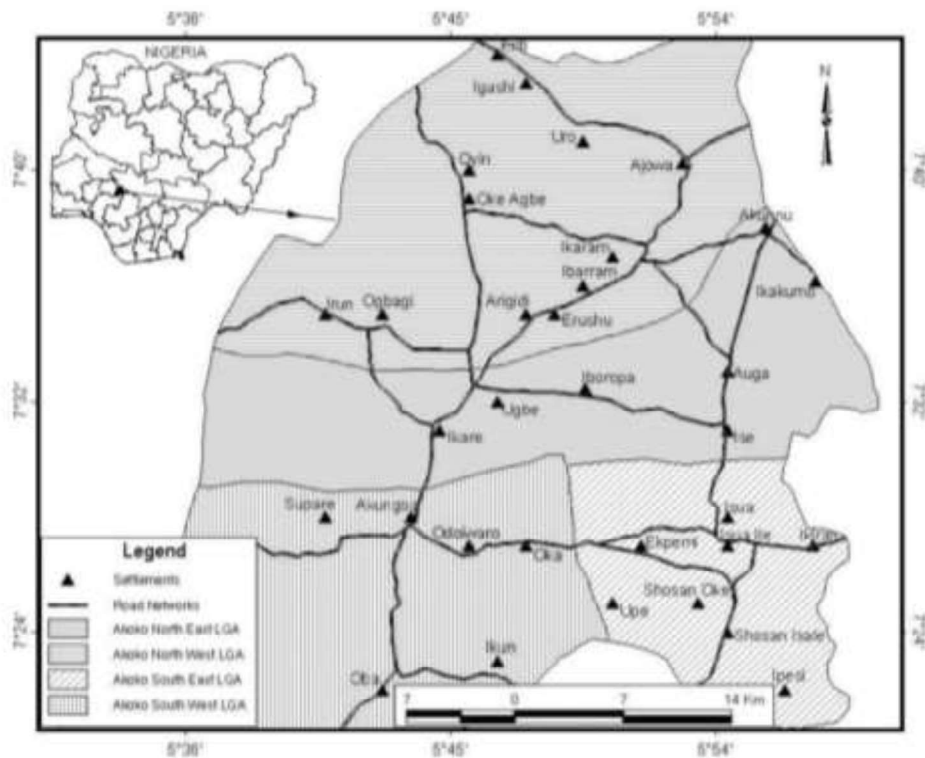
Propensity to take Risks among SMEs in Akoko Region, Ondo State Nigeria. In addressing the general objective of this study, the researcher (a) examined five specific demographic determinants (age, sex, experience, religious leaning and education of respondents) and, (b) socio-economic factors affecting risk-taking propensity in the study area.

Methodology

This present study was conducted in Akoko region of Ondo State, Nigeria. The people in this region constitute a large Yoruba cultural mini group in the North-eastern part of Yorubaland, the area spreads from Ondo state to Edo state in southwest Nigeria. It is made up of four local government areas namely Akoko North-East with the head-quarter at Ikare, Akoko North-West, head-quarter at Okeagbe, Akoko South-East, head-quarter at Isua and Akoko South-West, head-quarter at Oka. Akoko comprises over 30 small towns (indicated on Figure 1 below), largely located in rocky areas of Ondo state. This rocky geographical terrain a significant contributory factor for making the region to be a melting pot and common ground for people of different cultures coming from the southern, eastern, and northern Yoruba towns and beyond. Akoko is one of the few Yoruba mini groups without distinctive and general local dialect of their own. Traditionally, large scale farming was their occupation and much later, the teaching profession. Akoko is popularly known as the home of western education and with the second highest number of professors in Nigeria, after Ekiti in the first position. Akoko region is seen as less urban area of Ondo state with less supply of infrastructural facilities such as electricity. The region also has poor road networks compared to other areas and all these have implications for the growth and development of SMEs.

Figure 1

Map of Akoko Region



The study design is descriptive; both quantitative and qualitative techniques of study were adopted. Data were elicited from a sample size of 241 entrepreneurs involved in the

administration of questionnaire while 8 entrepreneurs (2 from each local government area) were involved in the qualitative aspect, using in-depth interviews (IDI). The study sample was selected from the lists of registered SMEs obtained from each of the four local government areas covered. The SMEs were listed and serially numbered. For the first stage, using simple balloting system, odd number was picked. For the second stage, balloting system was used to select all SMEs whose serial numbers were odd. Hence, the final sample size was drawn from each local government area. A total of 252 copies of the study questionnaire was retrieved, out of which 241 that were duly completed, were analysed for the study. A pre-test was conducted in a nearby local government area which has similar socio-cultural practices with the selected four local governments areas, and findings from the pre-test were used to validate the final instruments used for the study. The Statistical Package of Social Sciences (SPSS) was the tool adopted to analyse the primary data collected with the aid of a structured questionnaire using table, frequency, percentage while T-test of independent measures was carried out to analyse differences in socio-economic variables in relation to risk taking propensity; qualitative data were content analysed. Ethics Committee approval was not obtained because the study was conducted before 2020, however every effort was made to respect ethical issues and standards needed to protect the safety of the study respondents and the information they provided.

Results and Discussions

Brief Social and demographic characteristics of Respondents

On the age of the respondents, majority (38.9%) were between the age ranges of 20-30 years followed by 25.9% who were within 30-40 years. This is an indication of the fact majority of the respondents were within the active working population and it could also be an indication of positive results on the empowerment programmes targeted to promote entrepreneurship among youths, especially school leavers, rather than waiting so long for formal employments which are not forthcoming in the labour market. A total of 79.4% of the respondents were male compared to the female counterparts. On marital status, 53.1% representing the majority were married, while 46.1% were within 1-5 years of entrepreneurship. This aligns with the age distribution of the respondents. A look at the educational status of the respondents revealed that 55.5% had formal education of ordinary national diploma and above, suggesting that they were very literate, and this is capable of promoting their business engagements. On religious leaning, majority of the respondents (56%) practised Christianity while 44% practised Islam.

Demographic Determinants of Business Risk-Taking

This study focussed on five major socio-demographic characteristics namely age, sex, educational qualifications, religious leaning and entrepreneurship experience of the respondents. These factors were identified from literature as indicated in the introduction of this paper. The results are presented thus:

Age

The age of respondents was dichotomised into two groups namely older entrepreneurs (above 40 years) and younger entrepreneurs (40 years and below). T-test of independent measures was used to compare the risk-taking propensity between both groups. Results from the findings are shown in the table below:

Table 1*Influence of age on propensity to take business risks*

Variable	Age	N	Mean	Std Deviation	Df	T	P
Risk Taking Propensity	Older	93	32.1862	3.39771	241	4.47	.032
	Younger	150	35.5231	3.44113			

Source. Field Survey

The table above shows that there was a significant influence of age on risk-taking propensity among entrepreneurs [$t(241) = 4.47; p < .05$]. From the table, older entrepreneurs expressed lower level of risk-taking propensity with a mean of 32.18 than their younger counterparts with a mean of 35.52. Thus, younger entrepreneurs may be higher risk takers than their older colleagues. The plausibility of this result may lie in the fact that older entrepreneurs may have more business experiences of setbacks or failure resulting from high risk-taking than the younger ones who may have less experience in that regard.

Sociological and anthropological scholars have theorised about how variables of life cycle, such as age, reproductive potentials etc, affect risky choices. Generally, these theoretical views argue that ability to take risks is associated with the reproductive capacity, which more often, is less intense for older men than women or younger adults, thus suggesting therefore that aging should be closely related to reduced risk taking. Reduction in some age related basic cognitive abilities (e.g., working memory) is capable of leading to some changes in the risky choices on strategy choice and applications) in diverse ways. From the main findings of this study, it could be concluded that relative risk taking is higher in younger people and may likely decrease as people grow in age, other variables being constant (Kermit (2008; Sproten, 2010).

Sex

The study also evaluated the propensity of male and female entrepreneurs to take business risks, using T-test of independent measures to compare the risk-taking propensity between both groups. Results are found in the table below:

Table 2*Influence of sex on propensity to take business risks*

Variable	Sex	N	Mean	Std Deviation	Df	T	P
Risk Taking Propensity	Male	193	38.0756	3.87339	241	1.577	.000
	Female	50	31.6529	3.91828			

Source. Field Survey

Table 2 above shows that there was a significant influence of sex on risk-taking propensity among entrepreneurs [$t(241) = 1.577; p < .05$]. This means that male entrepreneurs expressed higher levels of risk-taking propensity with a mean of 38.07 than their female

counterparts with a mean of 31.65. The results imply that male entrepreneurs are higher risk takers than female entrepreneurs. It is worthy of note that some researchers have found women having a lower degree of confidence in their natural ability to make business decisions and in outcomes of their financial decision making. In support, findings from the studies conducted by Wagner, (2007) and Gupta et al., (2009) indicate that females have lower risk-taking proclivity and preferences and a higher level of anxiety in financial decision making than their male counterparts and consequently, stronger intention consulting financial advisors. Other scholars have argued that differences in gender behaviour and attitudes towards risk vary according to behavioural contexts such as choice of leisure, financial decisions among others. However, findings from the present study are in contrast with the studies of other scholars who revealed that there is no significant difference between female and male decision-making abilities and leadership abilities (Yordanova, 2010). In summary, it should be noted that differences in gender risk behaviour and decisions are context depended and domain specific, and this may account for the contradictory results in the findings of various studies. It may therefore be safe to conclude that women show lower preference for risk than men especially in decisions on business outfits.

Educational Qualifications

The educational qualification of respondents was grouped into highly educated entrepreneurs (with tertiary education) and less educated entrepreneurs (without tertiary education). T-test of independent measures was used to compare the risk-taking propensity between the two groups. The table below shows the results:

Table 3

Influence of educational qualification on risk-taking propensity

Variable	Education	N	Mean	Std Deviation	Df	T	P
Risk Taking Propensity	High	135	34.9829	3.97442	241	1.099	.079
	Low	108	35.1943	3.93771			

Source:Field Survey

The table shows that there was no significant influence of education on risk-taking propensity among entrepreneurs [$t(241) = 1.099; p < .05$], suggesting that both highly educated, and less educated entrepreneurs do not differ significantly in terms of their level of risk-taking propensity. This implies that level of education of entrepreneurs is not a significant determinant of entrepreneurs' propensity to take risks. The plausibility of this result may lie in the fact that while the process of risk-taking may be influenced by one's level of education, the decision to take a business is not dependent on one's level of education. Traditionally, higher education plays an important role in the determination of an individual's career patterns and ladder in the formal sector, and to a particular professional orientation. In other studies, Linan, Juan & Jose (2011) found similar results in their research on the effects of education on business ownership and risk taking; They used a nation-wide longitudinal sample of women to examine the contexts of job entering, staying and re-entering by level of educational attainment, and they established that the level of education has positive effect on the possibility of survival after entering into self-employment as well as the ability to take business risks does not increase with rising levels of educational achievements. The authors however cautioned that less educated business

owners have a higher possibility of facing financial or human capital constraints capable of limiting their business goals attainment Aladejebi (2018)

Furthermore, it has been generally argued by scholars that in small and medium business enterprises, the entrepreneurs play the three roles of being the founder of the business, the owner as well as the manager. Consequently, the skills, knowledge and education of these individuals are central and vital to the profitability and survival of their businesses. In the contemporary society, new business ventures are no more the options for the lower educational and social achievers but are an importance career option and pathways for the literate groups of society. Based on improved educational opportunities across the globe, future SMEs operators may likely be younger in age, but with stronger educational qualifications and lower working experience.

Religious orientation

Table 4

Influence of Religious orientation on propensity to take risks

Variable	Religion	N	Mean	Std Deviation	Df	T	P
Risk-Taking Propensity	Christianity	137	35.8467	3.96253	241	1.062	.074
	Islam	106	36.0720	3.89964			

Source. Field Survey

Table 4 above shows that there was no significant influence of religious leaning on risk-taking propensity among entrepreneurs [$t(241) = 1.062$; $p < .05$] in the study location. This suggests that both Christian and Muslim entrepreneurs do not differ significantly in terms of their level of risk-taking propensity, meaning that the religious orientation of entrepreneurs is not related to whether they will or are able to take risks concerning the issue of entrepreneurship. This finding is however a follow up from previous findings which show that religiosity is a determinant of job performance among employees in the informal sector suggesting that the more religious a worker is, the better his performance at work. This is because religious contents underscore behaviours that are appreciated at work which is referred to as organisation citizenship behaviour (Othman & Harriri, 2012; Omolawal & Akinwunmi, 2020).

Entrepreneurship Experience

The entrepreneurship experience of respondents was divided into two groups comprising of highly experienced entrepreneurs (5 years and above) and less experienced entrepreneurs (5 years and below). T-test of independent measures was used to compare the risk-taking propensity between both groups. Results are presented thus:

Table 5*Influence of entrepreneurship experience on ability to take business risks*

Variable	Age	N	Mean	Std Deviation	Df	T	P
Risk Taking Propensity	High	105	34.7209	3.87339	241	3.02	.001
	Low	138	37.8264	3.91828			

Source.Field Survey

The table shows that there was a significant influence of entrepreneurship experience on risk-taking propensity among entrepreneurs [t (241) =3.02; p<.05]. This therefore indicates that highly experienced entrepreneurs expressed lower level of risk-taking propensity with a mean of 34.72 than their less experienced entrepreneurs with a mean of 37.82. This implies that more entrepreneurship experience led to less involvement in risk business ventures and vice versa. As earlier reiterated, experienced entrepreneurs may have more experience of business setbacks resulting from higher risk-taking than their less experienced counterparts who may have had less experience in that regard. Moreover, entrepreneurs who have been in business for a longer time may have attained a reasonable level of success and financial stability which reduces desperations and less involvement in risky ventures.

Experience could have positive as well as negative influence on business entrepreneurs. This is because work experience is capable of helping the managers/owners avoid potential problems or to more easily solve or resolve problems encountered. Experience can also enhance the degree of business owners' creative ability and adaptability by luring them to adopt solutions that have been previously tried and tested (Burger, O'Neill & Mahadea 2005). It could therefore be concluded that work experience is very vital to SMEs and will enhance not just their profitability and growth, but as well as their survival in the economy

Socio-Economic Determinants of Business Risk-Taking

The selected socio-economic determinants used in this section were identified from literature as indicated in the introductory section for his paper. The influence of socio-economic factors on risk-taking propensity among the study respondents was analysed using multiple regression analysis, and the results are hereby presented:

Table 6*Contribution of socio-economic factors to risk-taking propensity*

Predictor	(β)	t-value	Sig	R	R ²	F	P
Financial Capital	.091	1.385	<.05				
Access to loans	.044	.669	>.05				
Electricity Stability	.020	.329	<.05				
Alternative Income Source	.018	.303	>.05				
Business Location	.191	2.418	<.05				
Market Trends	.892	1.121	>.05	0.086	0.027	.518	<.05
Risk Reward Ratio	.016	.206	>.05				
Customer Base	.041	.642	<.05				
Market Competition	-.009	-.146	<.05				
Political Climate	.060	.932	>.05				

Source. Field Survey

Results from the regression analysis show that, with the calculated value, [$F=.518$, $R^2 = .027$, $P<.05$], most of the selected socio-economic factors had a weak joint contribution on risk-taking propensity. The table further shows that out of the selected factors, four (financial capital [$\beta = .091$, $t=1.385$; $P<.05$], stability of electricity [$\beta = .020$, $t=.329$; $P<.05$], customer base [$\beta = .041$; $t=.642$; $P<.05$], and market competition [$\beta = -.146$; $P<.05$]) despite being weak, still emerged as stronger predictors of risk-taking propensity than the others, while business location ($[\beta = .191$, $t=2.418$; $P<.05]$) has a strong significant effect as perceived by entrepreneurs. These results show relatively weak explanatory power as determinants of risk-taking propensity. However, despite their weak influence, the dynamics involved in these selected factors still contribute to the degree of risk-taking propensity that local entrepreneurs will likely exhibit, because the qualitative aspects of the study strongly supported them as will be presented shortly.

The relationship between financial capital on one hand, and risk-taking propensity and decision-making, on the other hand, stems from the fact that all business ventures are risks in themselves because they are started on various forms of financial capital which may either yield positive investments (gains) or poor returns (losses). Therefore, the initial decision to start up a business is laden with risks. Thus, the dynamics amidst the financial capital such as the amount, source, interest rates, expected returns etc jointly influence the degree of risks that an entrepreneur may be willing to take in starting up a business. Participants in the qualitative aspect of the study buttress the importance of financial capital as a major determinant of risk-taking propensity among entrepreneurs. To them, it is necessary to have adequate financial capital for establishment of new ventures or for expansion of existing ones; more importantly, the decision on what to do with the money and ability to even channel the money to a lucrative venture is paramount. They explained further that proper planning for the utilisation of the available funds is very necessary so that optimal results can be gotten from the investment. A female participant in Akoko North LGA explained as follows:

Going into business is not just what you wake up and do. It requires serious thoughts and consideration. Even when you have your capital, you want to do some analysis on what your money will do for you and how you will make your money work for you. (IDI/Female/58 years)

Another participant has this to say:

Money is the foundation for business. You must have it, you must plan on it, and you must shine your eyes on what to do with it. Don't think of business if money is not there. Capital is not negotiable, and it requires proper management (IDI/Male/46 years)

The result above finds support with studies by Burger et. al., (2005). They argue that when risky situations occur, individuals make choices on the courses of action that align with certain norms, or which have previously been successful. This therefore suggests that since norms and past experiences of entrepreneurs differ from those of non-entrepreneurs, their choice of actions in risky situations will automatically be different, and this has implications for the outcomes of their investments.

Stability of electricity also emerged as a significant determinant of risk-taking due to its value as a recurrent cost in most small and medium sized enterprises, in many societies especially less developed countries like Nigeria. Majority of the entrepreneurs surveyed in this study depended on the supply of electricity for some part or entire aspects of their business ventures. Unfortunately, the epileptic power supply experienced in Akoko region highlighted the reason for its consideration when making risky strategic plans for business entry and expansions. For instance, marketers of non-perishable goods need regular supply of electricity to effectively conduct their business. Restaurants, hospitality industry, frozen and fresh food suppliers and many other sub-sectors depend to a great extent on power supply and are therefore limited in their activities if power supply is irregular and epileptic. The above finding was buttressed by IDI participants as follows:

Poor power supply stands as a cog in the wheel of business development in Nigeria. Akoko area is worse with several days without light. When they bring, it is hardly more than half current. How can business flourish under this condition? (IDI/Female/44 years)

Another participant expressed himself as follows:

Relying only on NEPA (public power supply) for business in Akoko amounts to suicide. The area is totally neglected. I cannot think of a time we have light for two consecutive days. If you want to do business in Akoko, look for something that will not depend on electricity. Generator has become our saviour even though petrol is costly. What can we do? (IDI/Male/62 years)

Therefore, venturing into business or expanding existing ones must be thought through with various options or alternatives for power supply which unfortunately add more cost to the cost of doing business. Conforming to this result and in summarising the scenario, Adeniyi (2019) opined that electricity supply still remains a major recurrent capital for the Nigerian informal sector.

The study established that the location of a business is also key to the nature of risks that an entrepreneur is willing to take for business entry, expansion, or growth. The feasibility of a business is a function of its location. This finding is further confirmed by participants during IDI session. To them, a good business should be located at a proximal distance to its consumers as well as its sources of resources. This is expressed in their words thus: "Akoko is

somehow neglected. No infrastructure and this is what is discouraging people from going into business and what is also driving people to relocate to other areas where the location is better for business. (IDI/Male/48 years)”

People need to study and understand their location before starting a business. The location of business should consider many factors such as government presence, availability of resources and so on. If all these are not available, the business will suffer. (IDI/Male/34 years)

The above quotes underscore the importance of location as a major determinant of the risks to be taken to site a business venture. Unfortunately, business locations are not under human control, especially in highly developed and densely populated business areas. Thus, in most cases, entrepreneurs opt to control the nature of business that would suit a location. This adds to the dimensions of risky decision-making in business expansion or growth among entrepreneurs. The availability of a good business location may prompt higher risk-taking propensity and vice versa and the location of a business determines the best services the business has to offer (Akinbole, Ogunnaike & Amaihian, (2015)

The study also established that customer base is an important factor in starting an entrepreneurial venture. The customer base of an entrepreneur determines the weight of demand for goods and services. Since supply is dependent on demand, then it suffices to acknowledge the fact that the quantity of goods and services provided would depend on the customer base of an entrepreneur. This was further confirmed by study participants in the qualitative aspect. Here are their words:

A business without customers is useless. People first need to check if there are people to be targeted as customers to be snatched for their patronage. Big business outfits carry out market studies to identify potential customers, secure and keep them, otherwise it may affect their productivity. (IDI/Female/46 years)

Another participant opined as follows: “I was taught in school that customers are always right. In doing this business, I make sure I sustain the patronage from my customers. I make their satisfaction my concern so I can keep them. (IDI/Male/39 years)”

It is therefore necessary to identify potential customers before starting or expanding a business. For instance, a food vendor selling food varieties close to a market may choose to expand and provide more of a particular variety at a particular time of the day and provide less of another food variety for half the day depending on which varieties is demanded more or less. This highlights the influence of demand and supply forces in business services and risk-taking ventures.

Market competition is also another strong factor affecting the risk-taking propensity of entrepreneurs in the study location. Akoko region generally is not known as a high business region in view of the limited infrastructure and lack of governmental attention among other factors. Individual entrepreneurs running business in the region therefore are faced with a lot of challenges. Beyond these challenges are the facts that the size of the market is small, and the diversity of business ventures is limited. Also, there are fewer opportunities for movement of products and services to other regions for fear of competition. This therefore poses stiff competition among producers and service providers who decide to remain and operate within the region. This has the tendency to affect the risk-taking propensity of people who will prefer to tread on familiar and known terrains rather than venturing into completely new areas.

During the qualitative aspect of the study, some participants also identified poor insurance system in Nigeria as a major factor affecting the propensity of people to take risks

concerning starting a business or going into expansion. The situation is seen as better in urban areas where the insurance companies are located. It is easier for businesses there, unlike the less urban areas like the Akoko region. The contribution of insurance to public and private organizations especially to the survival and success of small businesses has been identified in advanced nations. According to Brainard (2008), insurance transfers risk, thereby eliminating the possibility of misfortune. It also supplements the efforts of banks and other financial institutions and stakeholders in an effective combination of activities than would be undertaken if there are no risk management instruments like insurance. Majority of SME operators do not adopt insurance as a risk- management strategy. Jadi, Manab, & Ahmad (2014) argue that majority of SMEs lack awareness of insurance policies. In another study, Adeniyi (2019) also argues that most of the SMEs in Nigeria have no insurance policies to cover their businesses, and the knowledge on insurance and its significance is very low in the country. In the same vein, Panigrahi (2012) puts the situation in a more apt way when he argues that risk management practices are weak and poor in less developed societies where the small businesses operate as a result of lack of risk expertise and understanding of the subject matter. The present study, therefore, finds support with the findings of Sajuyigbe (2016) and Chodokufa & Chiliya (2017) that there is a strong relationship between the adoption of insurance policies and SMEs' growth. This implies that if SMEs adopt insurance policies and the insurance providers play their own roles, the SME sector will continue to wax stronger and people will be more willing to take risks concerning establishment and expansion of small and medium scale businesses ventures in Akoko region of Ondo state, and Nigeria in general.

Conclusion

Risk-taking is a necessary feature of entrepreneurship, either at the initial level of commencement or during an expansion or diversification of already existing business venture. Risk-taking propensity differs from individual people and their business outfits to others, and without it, entrepreneurship would not likely be as interesting, fascinating and dynamic as it is, in the current business world. This study has been able to reveal some factors (social and economic) which predict the propensity level of entrepreneurs in matters of risk-taking. Age, sex, and experience were seen as having a strong influence on risk-taking propensity, while educational status and religious leaning had no strong influence. Furthermore, though the quantitative aspect of the study established that the selected socio-economic determinants had relatively low explanatory power as determinants, but findings from the qualitative part strongly believed that the factors are very important determinants for entrepreneurs to consider in taking business risks. Propensity to rake risks therefore depends on the decision makers' perception of the various demographic, social and economic determinants in their environment and a further consideration as to whether the environment is being controlled externally or internally, being optimistic or pessimistic, or being a matter of self-confidence. But one big question that needs to be answered is, is it possible to teach entrepreneurial courage? It is possible to upskill people on their ability to calculate risks but almost impossible to train them to be more willing to take risks. It is therefore recommended that people should understand their business terrains very well before taking any risks, this is because risk-taking proclivity is domain related. In other words, existing and potential business entrepreneurs should take feasibility study as a major issue of concern when deciding to start up or expanding a business undertaking with a view to identifying the various and social and economic factors capable of affecting the outcomes of their ventures.

References

- Abodunde, S.M. (2020). Strategic Management and Small and Medium Enterprises Performance: Evidence from Lagos State, Nigeria. *SOCSCIENCE Journal*. 7: 1-10
- Adeniyi, S. (2019). *Managing Businesses in Nigeria: Issues at Stake*. Lagos: Bolax Publishers
- Akinbola, O.A., Ogunnaike, O.O., & Amaihian, A.B. (2015). Influence of Contextual Factors on Entrepreneurial Intention of University Students: The Nigerian Experience. *Journal of South African Business Research*, 5:1-13
- Aladejebi, O. (2018). Effect of Entrepreneurship Education on the Entrepreneurial Intentions among Tertiary Institutions Students in Nigeria. *Journal of Small Business and Entrepreneurship Development* 5 (2): 1-14
- Audretsch, D.B., Carree, M.A., Stel, A.J, & Thurik, A.R. (2002). Impeded Industrial Structuring: The Growth Penalty. *Kyklos*. 55 (1): 81-97
- Begley, T.M. (2005). Using Founder Status, age of firm and company growth rate as the basis for distinguishing entrepreneurs from managers of small business. *Journal of Business venturing* 10 (3): 249-263
- Brainard, L. (2006). What is the role of insurance in economic development? The World Bank Working Paper Series No 018
- Burger, L., O'Neill, C. & Mahadea, D. (2005). The Impact of Previous Knowledge and Experience on the Entrepreneurial Attitudes of Grade 12 Learners. *South African Journal of Education*. 25 (2): 89-94.
- Chodokufa, K & Chiliya, N. (2014). The Relationship between SMEs and Insurance providers in Nelson Mandela Metropolitan Area, South Africa. *Mediterranean Journal of Social Sciences*. 5(14); 84-97.
- Fatai, A. (2018). Small and Medium Scale Enterprises in Nigeria: The Problems and Prospect. *Mimeograph*. Lagos State University.
- Gupta, Vishal K. et.al. (2009). The Role of Gender Stereotypes in Perception of Entrepreneurs and Intention to become an entrepreneur. *Entrepreneurship: Theory and Practice*. 33 (2): 397-417
- Jadi, D., Manab, N., & Ahmad, S. (2014). Insurance as A Risk Transfer Mechanism in Small and Medium Enterprises (SMEs). Conference paper.
- Kermit, W. (2008). Entrepreneurial Intention Research: Implications for entrepreneurship education. *Journal of Entrepreneurship Education*. 11:87-98
- Linan, F., Juan, C.R. & Jose, M.R. (2011). Factors affecting \entrepreneurship Intention Level: A Role of Education. *International Entrepreneurship and Management Journal*. 7 (2): 195-218.
- Omolawal, S.A & Akinwunmi, O.G. (2020). Personal Factors and Job Performance among Employees of Foreign Cuisine Restaurants in Ibadan Metropolis, Oyo State, Nigeria. *International Journal of Philosophy and Social-Psychological Sciences*. 6 (1) 6-18

- Onyeonuru, I.P, Okunola, A.R & Omolawal, S.A. (2019). Types of Corruption in Small and Micro Enterprises (SMEs) in Ibadan, Nigeria. *The Nigerian Journal of Sociology and Anthropology*. 17(2): 126-139
- Othman, R., & Hariri, H. (2012). Conceptualizing religiosity influence on whistleblowing intentions. *British Journal of Economics, Finance and Management Sciences*, 6 (1), 62-92.
- Panigrahi, A.K. (2012). Risk management in micro, small and medium Enterprises (MSMEs) in India: A critical appraisal. *Asia Pacific Journal of Marketing & Management Review*. 1(4):59-72
- Sajuyigbe, A.S. (2016). Human Resource Management Practices and their Influence on Organizational Performance: An Analysis of the Situation in the Nigerian Insurance Industry. *IARD International Journal of Economics and Business Management (IJEEM)*. 2(2), 13-21.
- Sproten, A. et al. (2010). Aging and Decision Making: How aging affects decision under Uncertainty. Working Papers, University of Heidelberg.
- Wagner, Joachim. (2007). What a Difference a Y makes- Female and Male Nascent Entrepreneurs in Germany. *Small Business Economics*. 28 (1):1-21
- Yordanova, D.I & Maria-Antonia, T. (2010). Gender Differences in Entrepreneurial Intentions: Evidence from Bulgaria. *Journal of Developmental Entrepreneurship*. 15(3):245-261.

Information About the Article/Makale Hakkında Bilgiler

Conflict of interests/ Çıkar Çatışması

The author have no conflict of interest to declare.

Yazar çıkar çatışması bildirmemiştir.

Grant Support/ Finansal Destek

The author declared that this study has received no financial support.

Yazar bu çalışma için finansal destek almadığını beyan etmiştir

.