



EFFECT OF ENTREPRENEURIAL ORIENTATION ON THE FINANCIAL PERFORMANCE OF SMALL AND MEDIUM-SIZED ENTERPRISES IN KWARA STATE, NIGERIA

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ABSTRACT

The impact of entrepreneurial orientation on small and medium-sized businesses' financial performance in Kwara State, Nigeria, was investigated in this study. A cross-sectional survey design was used in the study. A structured questionnaire was suggested as the main tool of data collection, and the target population consisted of SME owners/managers operating in significant commercial locations in Kwara State. The results presented in this article are illustrative/simulated and are not claimed to be actual field observations in order to illustrate the suggested analytical procedure. The analysis was conducted using an illustrative sample of 275 valid responses. Multiple regression analysis, Pearson correlation, and descriptive statistics were used to analyze the data. The illustrative findings showed that risk-taking, proactivity, innovation, and financial performance were all positively correlated. The three entrepreneurial-orientation dimensions jointly explained about 46.4% of the variation in financial performance, according to the regression model's illustrative R^2 of 0.464. Financial performance was positively impacted by innovativeness ($\beta = 0.401$, $p < .001$), proactiveness ($\beta = 0.219$, $p < .05$), and risk-taking ($\beta = 0.137$, $p < .05$). The study concludes that when entrepreneurial activities are purposefully matched with market opportunities and available resources, entrepreneurial orientation can constitute an important strategic capability for improving the financial outcomes of SMEs. According to the article, Kwara State's SME owners and managers should improve their capacity for innovation, create proactive market strategies, and take calculated risks rather than careless ones.

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1. Introduction

Due to their contributions to the creation of jobs, revenue, innovation, poverty alleviation, and local economic activity, small and medium-sized businesses continue to play a crucial role in economic development. The SME sector is especially significant in Nigeria. According to the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) and the National Bureau of Statistics (NBS), MSMEs make significant contributions to employment, output, and the number of active businesses in the country. Based on the 2021 NBS/SMEDAN survey, a recent analysis of Nigeria's MSME environment found that MSMEs contributed roughly 46.32% of GDP, 6.21% of exports, and 87.9% of employment. The operating environment for Nigerian SMEs is still difficult in spite of this contribution. Increasing input costs, erratic purchasing power, restricted access to financing, inadequate infrastructure, technological advancements, fierce competition, and shifting consumer preferences are all characteristics of the environment in which SMEs operate. Access to financing, macroeconomic pressures, regulatory concerns, shifting market conditions, and digital transformation were all noted as significant issues impacting Nigerian MSMEs in the 2024 PwC MSME survey. From the standpoint of financial performance, the difficulties faced by SMEs are especially significant. A business may endure for a number of years without attaining sustainable cash-flow performance or adequate profitability. As a result, survival by itself is not a reliable measure of business success. SMEs must increase revenue, sustain profitability, boost sales, manage expenses, and build the financial capacity to reinvest in their business. Entrepreneurial orientation (EO) is one

strategic element that might assist SMEs in addressing these issues. The degree to which a company exhibits entrepreneurial behavior through traits like creativity, initiative, and risk-taking is referred to as EO.

Even though academics acknowledge that EO may be conceptualized at various levels and through various dimensions, contemporary literature continues to treat it as a significant organizational attribute. For example, Wales, Covin, and Monsen (2020) highlighted the complexity of EO and clarified how management style, organizational structure, and new-entry initiatives can all exhibit entrepreneurial behavior. An organization's willingness and capacity to implement novel goods, services, procedures, technologies, or business practices are all components of its innovativeness. Innovation may not always entail creating complex technology for a SME. It might entail enhancing packaging, launching new product lines, implementing digital marketing, changing manufacturing processes, or coming up with fresh approaches to customer service. An organization's propensity to foresee changes and take action before rivals is referred to as proactiveness. Instead of just reacting to changes in the market after they happen, a proactive SME looks for new opportunities and seizes them before rivals. In a competitive setting where consumer demands and market conditions are constantly changing, such behavior may be crucial. The willingness of an entrepreneur or business to devote resources to uncertain opportunities is known as risk-taking. However, it's important to distinguish between reckless gambling and successful entrepreneurial risk-taking. Calculated risk-taking in the context of small and medium-sized enterprises (SMEs) can include investing in a promising product, breaking into a new

market, implementing new technology, or increasing capacity after weighing potential costs and benefits. Scholars have paid close attention to the connection between EO and firm performance. EO and organizational performance were found to be positively correlated in a meta-analysis by Soares and Perin (2020), which was based on 80 independent samples with 19,514 cases. The relationship was found to be stronger for multi-item and revenue-based performance measures. The relevance of EO to SME performance is also generally supported by evidence from Nigeria. Among particular businesses in Southeast Nigeria, Okoli, Nwosu, and Okechukwu (2021) discovered favorable correlations between proactiveness, innovativeness, risk-taking, and SME performance. Using 1,308 SMEs in South-South Nigeria, Akpan and Okwudu (2022) also found that EO had a significant impact on SME performance.

Additionally, Ibijoju and Akeke (2022) found that SME performance in Southwest Nigeria was positively and significantly impacted by EO dimensions such as innovativeness, proactiveness, and risk-taking. Eze, Nwankwo, and Kanyangale (2022) further illustrated the importance of EO to SME performance by concentrating on agro-processing SMEs in Anambra State. The relationship is still supported by more recent research from Nigeria, but it also highlights contextual variations. For instance, Rogo, Gorondutse, and Hassan (2023) discovered that while proactiveness and autonomy were not statistically significant in their model, competitive aggressiveness, innovativeness, and risk-taking were important for SME performance in Kano. Abodunde (2024) found that risk-taking, innovativeness, proactiveness, competitive aggressiveness, autonomy, and

performance were positively correlated with SMEs in Oyo State. Additionally, evidence is starting to surface, particularly from Kwara State. Abdulwasiiu and Kareem (2024) looked at the Offa Local Government Area's SME performance and entrepreneurial-orientation dimensions, taking into account proactiveness and innovativeness in relation to customer patronage and profitability. This implies that entrepreneurial orientation is pertinent to the Kwara business environment, but more empirical research is required, especially with regard to financial performance as a distinct outcome. Therefore, the impact of entrepreneurial orientation on the financial performance of SMEs in Kwara State is the main focus of this study. In particular, the study looks at three aspects of EO: risk-taking, innovation, and proactivity.

2. Statement of the Problem

It is commonly acknowledged that the SME sector plays a significant role in Nigeria's economic activity. However, the fact that many SMEs continue to exist does not always mean that their financial performance is adequate. Maintaining profitability, boosting sales, managing operating expenses, and producing enough internal capital for growth are challenges faced by many small businesses. SMEs in Kwara State work in a variety of industries, including retail, manufacturing, agro-processing, hospitality, transportation, professional services, education-related services, and other commercial endeavors. Opportunities for entrepreneurship are created by the concentration of business activity in places like Ilorin, Offa, and other commercial centers, but competition is also heightened. The fact that some SME operators continue to rely heavily on traditional business methods is one of the main issues. They might wait for

customers instead of predicting demand, keep selling their current products without making any changes, and steer clear of investments that could boost their long-term competitiveness. Excessive risk avoidance can also keep businesses from taking advantage of lucrative opportunities, just as excessive risk-taking can endanger financial stability. Innovation is another issue. Customers expect better products, convenient services, digital interaction, and competitive prices in a market that is changing quickly. SMEs that don't innovate risk losing clients to rivals over time. Innovation, however, necessitates a willingness to experiment, managerial skill, and financial commitment.

Another possible source of competitive advantage is proactiveness. SMEs may be better able to make money if they recognize emerging markets, anticipate shifts in consumer preferences, and react before rivals. However, in the context of Kwara State, it is still necessary to determine whether such entrepreneurial behaviors genuinely result in better financial performance. Although the results are not entirely consistent, existing Nigerian research offers strong evidence of a connection between EO and SME performance. While some research indicates that risk-taking, creativity, and proactiveness are significantly impacted, other research finds that only a few aspects are. Innovativeness, risk-taking, and competitive aggressiveness, for instance, were found to have significant effects in Kano research, but proactiveness and autonomy were not. These variations imply that entrepreneurial orientation may function differently in institutional, industrial, and geographic contexts. There is still a need for a more concentrated study of EO and financial performance among SMEs in the state, even though studies have looked at EO in Nigeria

and some recent work has taken Kwara State into consideration. In order to close this gap, the current study looks at risk-taking, proactiveness, and inventiveness as explanatory factors.

3. Objectives of the Study

The general objective is to examine the effect of entrepreneurial orientation on the financial performance of SMEs in Kwara State, Nigeria.

The specific objectives are to:

- i. examine the effect of innovativeness on the financial performance of SMEs in Kwara State;
- ii. determine the effect of proactiveness on the financial performance of SMEs in Kwara State; and
- iii. assess the effect of risk-taking on the financial performance of SMEs in Kwara State.

4. Research Questions

The study seeks answers to the following questions:

- i. What effect does innovativeness have on the financial performance of SMEs in Kwara State?
- ii. What effect does proactiveness have on the financial performance of SMEs in Kwara State?
- iii. What effect does risk-taking have on the financial performance of SMEs in Kwara State?

5. Research Hypotheses

The following null hypotheses were formulated:

i.H0₁: Innovativeness has no significant effect on the financial performance of SMEs in Kwara State.

ii.H0₂: Proactiveness has no significant effect on the financial performance of SMEs in Kwara State.

iii.H0₃: Risk-taking has no significant effect on the financial performance of SMEs in Kwara State.

6. Significance of the Study

SME owners and managers, government organizations, financial institutions, entrepreneurship educators, researchers, and other stakeholders are anticipated to find value in the study. The results highlight the significance of entrepreneurial behavior in attaining better financial results for SME owners and managers. The study directly links innovation, proactive behavior, and risk-taking to financial performance rather than treating them as abstract entrepreneurial concepts. The results may also be used by government organizations to create programs that foster entrepreneurship. Innovation management, opportunity identification, strategic risk assessment, and proactive market development can be given more attention in training programs. Understanding the connection between entrepreneurial orientation and SME performance may be advantageous for financial institutions. A company may have greater growth potential if it has a well-defined entrepreneurial strategy and demonstrates innovation and market responsiveness. By offering more data from Kwara State, the study

also adds to the body of scholarly literature. Future studies looking at EO, SME performance, and associated entrepreneurial constructs could use it as a reference.

7. Scope of the Study

SMEs in Nigeria's Kwara State are the study's primary focus. Three dimensions—innovativeness, proactiveness, and risk-taking—are used to operationalize the independent variable, entrepreneurial orientation. Financial performance, as determined by metrics like profitability, sales growth, revenue improvement, cash-flow improvement, and the capacity to raise capital for business expansion, is the dependent variable. Owner/managers are the main focus of the study because they are typically aware of the financial results and strategic orientation of their businesses.

8. Literature Review

8.1 Concept of Entrepreneurial Orientation

The strategic stance that a company uses to exhibit entrepreneurial behavior is known as entrepreneurial orientation. It relates to an organization's readiness to take calculated risks, anticipate opportunities, and innovate. Because entrepreneurship continues after a business is established, EO is crucial. It also has to do with how the company acts once it is established. Continuous product development, experimentation, market research, strategic investment, and proactive reactions to rivals are all ways that a company can be entrepreneurial. According to Wales et al. (2020), EO should not be viewed as a single, oversimplified organizational trait since it can be understood on several levels. Current measurement literature also supports the multidimensional nature of EO. Innovation, initiative, and taking

risks are how EO is operationalized for this study. Because they encompass key entrepreneurial behaviors that can plausibly affect SME financial outcomes, these three dimensions are especially suitable.

8.2 Innovativeness

An organization's propensity to embrace and implement novel concepts, goods, services, technologies, and procedures is referred to as its innovativeness. Innovation in SMEs might be gradual rather than drastic. For instance, a food processor might enhance packaging, a retailer might offer electronic payment options, a fashion company might launch new designs, and a service company might implement digital customer-support systems. Financial performance can be impacted by innovation in a number of ways. First, new goods might draw in new clients. Second, lower production costs could result from better processes. Third, new marketing strategies could increase market penetration. Fourth, adopting new technology could boost output. This claim is supported by research findings. In Southeast Nigeria, Okoli et al. (2021) discovered a positive correlation between innovativeness and SME performance. Additionally, Kano's data showed that innovativeness was a key factor in determining SME performance.

8.3 Proactiveness

An organization's propensity to foresee future market conditions and take action before rivals is referred to as proactiveness. A proactive SME might keep an eye on consumer preferences, launch products ahead of rivals, penetrate emerging markets, build connections with potential clients, and foresee technological advancements. By enabling businesses to seize opportunities early on, proactiveness may enhance financial

performance. Being the first or one of the first companies to adapt to shifting consumer needs can provide short-term advantages in fiercely competitive markets. Proactiveness's impact, however, might vary depending on the situation. Information, resources, and managerial skill are necessary for a proactive approach. As a result, being proactive does not always translate into profitability. However, evidence from Nigeria supports its applicability. While Ibijoju and Akeke (2022) discovered that EO dimensions, including proactiveness, have a positive impact on SME performance, Okoli et al. (2021) reported a positive relationship between proactiveness and SME performance.

8.4 Risk-Taking

The willingness to invest resources in opportunities with uncertain outcomes is known as risk-taking. Entrepreneurs deal with uncertainty on a daily basis. Uncertainty is a part of investing in new technology, expanding into new markets, diversifying products, and developing new markets. Assessment is necessary for effective risk-taking. Expected returns, potential losses, available resources, and the company's capacity to withstand unfavorable outcomes should all be taken into account by an entrepreneur. Risk-taking should therefore be understood as calculated risk-taking as opposed to careless behavior. A helpful explanation of the connection between risk-taking, inventiveness, and proactiveness can be found in Putniņš and Sauka's work on EO. According to their framework, the three elements may enhance performance through complementary mechanisms. Studies conducted in Nigeria have also shown that taking risks improves SME performance, though results vary by region. For example,

Rogo et al. (2023) discovered that risk-taking was important among SMEs in Kano.

9. Financial Performance of SMEs

The degree to which a business attains desired financial results is referred to as its financial performance. Profitability, sales growth, return on investment, revenue growth, and cash flow strength are examples of traditional financial indicators. However, SMEs might not have easy access to comprehensive audited financial statements. As a result, owner/manager perceptions of financial results are used in many SME studies. A number of indicators are used in this study to assess financial performance, such as increased profitability, increased sales, increased revenue, an improved cash-flow position, the capacity to fund expansion, and an improvement in overall financial condition. Evidence that EO-performance relationships can be stronger when performance is measured using multiple items and revenue-related indicators is consistent with the use of multiple indicators.

10. Theoretical Review

10.1 Resource-Based View

The firm's Resource-Based View (RBV) serves as the study's foundation. According to the RBV, businesses can gain a competitive edge by utilizing valuable resources and skills that are hard for rivals to copy. RBV is still used in current EO research to explain how entrepreneurial skills can affect performance. For instance, Yin, Hughes, and Hu (2021) explained how EO can affect resource acquisition and venture outcomes using the resource-based perspective. Entrepreneurial orientation can be considered an intangible organizational capability from the standpoint of RBV. Despite having comparable financial

resources and operating in the same market, two businesses may produce different results due to one's superior entrepreneurial skills. Innovation enables businesses to convert concepts and knowledge into new goods and procedures. Being proactive helps them spot and seize opportunities. Taking risks makes it easier to allocate resources to uncertain but potentially lucrative opportunities. As a result, the expectation that EO will affect financial performance is logically explained by the RBV.

11. Empirical Review

In Southeast Nigeria, Okoli et al. (2021) examined EO and performance in 366 SMEs. The study found strong positive correlations between proactiveness, innovativeness, risk-taking, and SME performance using survey data and regression analysis. EO among 1,308 SMEs in South-South Nigeria was studied by Akpan and Okwudu (2022). The study found that EO had a significant impact on SME performance and included innovativeness, risk-taking, proactiveness, autonomy, and competitive aggressiveness. Ibijoju and Akeke (2022) used information from 400 owners, managers, and supervisors to study SMEs in Southwest Nigeria. Their results showed that EO had a favorable and noteworthy impact on SME performance. In their study of agro-processing SMEs in Anambra State, Eze et al. (2022) demonstrated the significance of entrepreneurial orientation in impacting SME performance. In their analysis of EO and SME performance in Lagos State, Ilesanmi, Onikoyi, and Badiru (2022) also took market orientation into account when attempting to explain organizational performance. Five aspects of EO were investigated by Rogo et al. (2023) among 197 SME managers in Kano. Their results showed that while proactiveness and autonomy did not show significant effects on

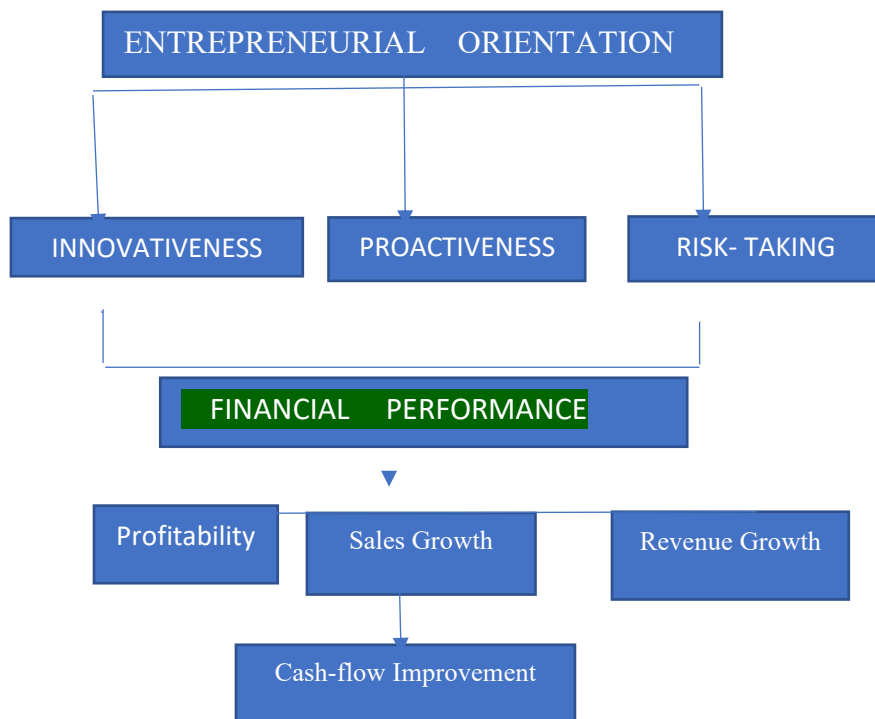
performance, competitive aggressiveness, innovativeness, and risk-taking did. EO and SME performance in Katsina State were examined by Badamasi, Abdulrazaq, and Tsoho (2023). According to their findings, innovativeness, proactiveness, risk-taking, and SME performance were significantly positively correlated, and the conditions of the entrepreneurial ecosystem also had an impact.

According to Abodunde's (2024) research on SMEs in Oyo State, risk-taking, innovation, proactiveness, competitive aggressiveness, and autonomy are positively correlated with SME performance. Abdulwasiiu and Kareem (2024) examined entrepreneurial-orientation dimensions and SME performance in Offa Local Government Area, providing especially pertinent evidence from Kwara

State. Customer patronage and profitability were taken into consideration as performance outcomes in their study, which concentrated on proactivity and innovation. As a result, the literature generally shows that EO and performance are positively correlated, but varying results imply that context is important. The current study makes a contribution by concentrating on the financial performance of SMEs in Kwara State.

12. Conceptual Framework

The conceptual framework proposes that entrepreneurial orientation influences SME financial performance through three major dimensions.



Explanation of the Framework

According to the framework, companies that are more innovative are more likely to create goods and procedures that can enhance financial results. Because proactive companies can spot market opportunities before rivals and react swiftly to shifts in consumer demand, proactiveness is anticipated to boost financial performance. It is anticipated that risk-taking will have an impact on financial performance since SMEs that make well-considered investments may take advantage of chances to increase income and profitability. As a result, it is anticipated that the three dimensions will positively correlate with financial performance.

13. Methodology

13.1 Research Design

A cross-sectional survey research design was used in the study. Because data is gathered from SME owners and managers during a specific time period to investigate the connections between entrepreneurial orientation and financial performance, this design is suitable.

13.2 Population of the Study

The study focuses on small and medium-sized businesses (SMEs) in Kwara State, especially those situated in important business hubs like Offa and Ilorin. The final field population

should be determined from the current sampling frame available from the relevant SME/business-registration authorities prior to actual data collection, as SME registration figures may vary depending on registration authority, sectoral coverage, and classification.

13.3 Sample and Sampling Technique

It was assumed that 300 questionnaires were distributed for the illustrative analysis in this article, and 275 of those responses were usable, yielding an illustrative usable response rate of 91.7%. For a real field study, a multistage sampling process might be used. SMEs can be chosen from pertinent business categories after commercial locations have been stratified.

13.4 Instrument for Data Collection

Data were designed to be collected using a structured questionnaire based on a five-point Likert scale: 1 = Strongly Disagree 2 = Disagree 3 = Undecided 4 = Agree 5 = Strongly Agree.

The tool includes sections on financial performance, risk-taking, proactiveness, inventiveness, and demographics. The EO measures were conceptually modified from both recent empirical applications of EO in SME research and well-established EO literature. Similar questionnaire-based assessments of creativity, initiative, and risk-taking have been used in Nigerian research.

14. Measurement of Variables

Variable	Code	Illustrative indicators
Innovativeness	INN	New products, new processes, technology adoption, new marketing methods

Proactiveness	PRO	Opportunity anticipation, early market response, competitor anticipation
Risk-taking	RSK	Investment in uncertain opportunities, calculated expansion, experimentation
Financial Performance	FP	Profitability, sales growth, revenue growth, cash flow, expansion capacity

15. Validity and Reliability

Expert evaluation should be used to determine content validity. To make sure the items accurately reflect the constructs, the questionnaire should be examined by professionals in business management, entrepreneurship, and research methodology. Cronbach's alpha should be used to evaluate reliability. For exploratory social science research, a coefficient of 0.70 or greater is typically regarded as acceptable.

For the illustrative analysis, the reliability coefficients were assumed as follows:

Construct	Number of Items	Illustrative Cronbach's Alpha
Innovativeness	8	0.86
Proactiveness	8	0.83
Risk-taking	8	0.81
Financial performance	6	0.88
Overall instrument	30	0.89

Internal consistency appears to be satisfactory based on the illustrative values. Important: Before submitting to a journal, the coefficients derived from the real dataset should be used in place of these reliability values, which are provided for methodological illustration.

16. Method of Data Analysis

The distribution of responses and the characteristics of the respondents were summarized using descriptive statistics. The relationship between the variables was investigated using Pearson Product Moment Correlation. The individual and combined effects of innovativeness, proactiveness, and

risk-taking on financial performance were examined using multiple regression analysis.

The model is specified as:

$$FP = \beta_0 + \beta_1 INN + \beta_2 PRO + \beta_3 RSK + \mu_t$$

Where:

FP = Financial Performance;

INN = Innovativeness;

PRO = Proactiveness;

RSK = Risk-taking;

β_0 = constant;

$\beta_1 - \beta_3$ = regression coefficients; and

μ_t = error term.

17. Results and Analysis

17.1 Response Rate

Table 1: Illustrative Questionnaire Response

Description	Frequency	Percentage (%)
Questionnaires administered	300	100.0
Questionnaires administered	300	100.0
Valid questionnaires	275	91.7
Unusable questionnaires	25	8.3
Total	300	100.0

Source: Illustrative analysis prepared for this article.

The illustrative response pattern indicates that 275 questionnaires were usable for analysis, representing 91.7% of the assumed 300 questionnaires administered.

17.2 Demographic Characteristics

Table 2: Illustrative Characteristics of Respondents

Characteristic	Category	Frequency	%
Gender	Male	158	57.5
	Female	117	42.5
Age	18–30	61	22.2
	31–40	96	34.9

	41–50	72	26.2
	51 and above	46	16.7
Education	Secondary	44	16.0
	Diploma/NCE	69	25.1
	HND/Bachelor's	118	42.9
	Postgraduate	44	16.0
Business age	Below 5 years	58	21.1
	5–10 years	101	36.7
	11–15 years	71	25.8
	Above 15 years	45	16.4

Source: Illustrative analysis.

Respondents were selected from a variety of age groups, educational backgrounds, and business-age categories, according to the illustrative demographic distribution. The comparatively high percentage of respondents whose companies had been in operation for five years or longer indicates that operators with significant business experience may be able to provide responses for the proposed study.

18. Descriptive Statistics

Table 3: Illustrative Descriptive Statistics

Variable	Mean	Std. Deviation
Innovativeness	3.78	0.71
Proactiveness	3.71	0.74
Risk-taking	3.59	0.76
Financial Performance	3.76	0.69

Source: Illustrative analysis.

The findings show that the mean scores for each of the four variables are comparatively high. The highest mean score was 3.78 for innovativeness, followed by 3.76 for financial performance and 3.71 for proactiveness. The mean score for taking risks was 3.59. The results indicate, for example, that

most respondents believe their companies exhibit entrepreneurial behaviors and report moderate-to-high financial performance.

19. Correlation Analysis

Table 4: Illustrative Correlation Matrix

Variable	INN	PRO	RSK	FP
Innovativeness	1.000			
Proactiveness	.526**	1.000		
Risk-taking	.438**	.481**	1.000	
Financial performance	.603**	.548**	.472**	1.000

Note: $p < .01$.

Positive correlations between the independent variables and financial performance are shown by the illustrative results. Risk-taking ($r = .472$), proactiveness ($r = .548$), and innovativeness ($r = .603$) showed the strongest correlation with financial performance. On the surface, the moderate correlations between the independent variables do not indicate severe multicollinearity.

20. Regression Analysis

Table 5: Illustrative Model Summary

R	R Square	Adjusted Square	R	Std. Error of the Estimate
.681	.464	.458		.511

Source: Illustrative analysis.

An illustrative multiple correlation coefficient of $R = .681$ was generated by the model. Innovation, proactivity, and risk-taking together account for about 46.4% of the variation in financial performance, according to the R^2 of .464. The remaining 53.6% could be linked to additional variables not covered by the model, such as financial accessibility, managerial skill, market orientation, business age, level of competition, adoption of technology, and macroeconomic circumstances.

20.1 Analysis of Variance

Table 6: Illustrative ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	67.842	3	22.614	86.54	.000
	Residual	78.004	271	0.288		
	Total	145.846	274			

Source: Illustrative analysis.

At $p < .001$, the illustrative F-statistic of 86.54 is statistically significant. This suggests that the combination of the three independent variables offers a statistically significant explanation for the variance in financial performance.

21. Regression Coefficients

Table 7: Illustrative Regression Coefficients

Variable	B	Std. Error	Beta	t	Sig.
Constant	1.024	.241	—	4.25	.000
Innovativeness	.386	.088	.401	4.39	.000
Proactiveness	.214	.085	.219	2.52	.012
Risk-taking	.125	.056	.137	2.23	.027

Dependent variable: Financial Performance

Source: Illustrative analysis.

All three of the entrepreneurial-orientation dimensions appear to have positive coefficients, according to the regression results. Out of the three variables in the illustrative model, innovativeness had the largest standardized coefficient ($\beta = .401$), indicating that it contributes most to financial performance. Risk-taking recorded $\beta = .137$, whereas proactiveness recorded $\beta = .219$.

22. Test of Hypotheses

Hypothesis One

H01: Financial performance is not significantly impacted by innovativeness. According to the illustrative regression result, financial performance is positively and statistically significantly impacted by innovativeness ($\beta = .401$, $t = 4.39$, $p < .001$). Consequently, the null hypothesis is disproved. Subject to the limitations of the illustrative model, it is implied that SMEs exhibiting more innovation-oriented behavior are likely to achieve better financial outcomes.

Hypothesis Two

H02: Financial performance is not significantly impacted by proactiveness. The outcome shows that financial performance is positively and statistically significantly impacted by proactiveness ($\beta = .219$, $t = 2.52$, $p = .012$). Consequently, the null hypothesis is disproved. This implies that SMEs may have better financial results if they recognize market shifts and seize opportunities.

Hypothesis Three

H03: Financial performance is not significantly impacted by taking risks. Taking risks yielded a statistically significant positive coefficient ($\beta = .137$, $t = 2.23$, $p = .027$). Consequently, the null hypothesis is disproved. The outcome implies that prudent risk-taking could lead to better financial results.

23. Discussion of Findings

The illustrative conclusion that financial performance is positively impacted by innovativeness is in line with previous empirical data. In Southeast Nigeria, Okoli et al. (2021) discovered a favorable correlation between innovativeness and SME performance. Similarly, EO and SME performance in South-South Nigeria were found to be significantly correlated by Akpan and Okwudu (2022). The outcome can be explained by the fact that innovation enables SMEs to adapt to shifting consumer demands. A business may draw in more clients and boost profits by launching new goods, enhancing customer service, implementing suitable technology, and creating fresh marketing strategies. The result is also consistent with the larger body of research that suggests innovation may be a mechanism by which EO results in better organizational performance. Innovation can partially mediate performance outcomes, according to Soares and Perin's 2020

meta-analysis, which also found a positive EO-performance relationship. Numerous studies conducted in Nigeria also support the beneficial impact of proactiveness. According to Okoli et al. (2021), proactiveness and SME performance are significantly positively correlated. In a similar vein, Ibijoju and Akeke (2022) discovered that EO dimensions improved SME performance in Southwest Nigeria. Because companies that anticipate market developments may be able to secure suppliers, customers, and opportunities before rivals, proactive behavior can improve financial performance. Early reaction can be especially helpful for SMEs in fiercely competitive markets. The results, however, are different from those of Rogo et al. (2023), whose Kano-based study found no evidence of a significant impact of proactiveness on SME performance. Geographical context, industry composition, market conditions, measurement techniques, or variations in the characteristics of the sampled businesses could all be contributing factors to the discrepancy. Evidence from Nigeria also supports the benefits of taking risks. While Abodunde (2024) found positive correlations between risk-taking and SME performance in Oyo State, Rogo et al. (2023) found that risk-taking was significant among SMEs in Kano.

It is not implied that SMEs should take all risks. Instead, before investing limited resources, entrepreneurs should weigh potential gains against potential losses. Entering new markets, introducing new products, adopting technology, and increasing productive capacity are all possible outcomes of financially disciplined risk-taking. The overall R^2 of 46.4% shows that while entrepreneurial orientation is a significant explanatory factor, it does not entirely determine the financial performance of SMEs.

Theoretically, this makes sense because a number of internal and external factors influence the financial performance of SMEs. Additionally, the outcome aligns with the resource-based viewpoint. Entrepreneurs can mobilize and deploy resources in ways that could result in competitive advantages thanks to EO, an intangible capability. Similar connections between EO and firm performance and resource acquisition have been found in research.

24. Conclusion

In Kwara State, Nigeria, this study looked at how entrepreneurial orientation affected SMEs' financial performance. The study concentrated on three aspects of entrepreneurial orientation: risk-taking, creativity, and proactivity. All three dimensions showed favorable effects on financial performance, according to the illustrative results. The biggest impact was found in innovativeness, which was followed by risk-taking and proactiveness. 46.4% of the variation in financial performance was explained by the overall regression model. According to the results, entrepreneurial orientation can be a crucial strategic asset for SMEs. Companies that anticipate market opportunities, make constant improvements to their products and processes, and take calculated risks may be in a better position to increase revenue and profitability. However, financial management, capital availability, managerial skill, and favorable business conditions should not be replaced by entrepreneurial orientation. Instead, it ought to enhance these elements.

25. Recommendations

The following suggestions are put forth in light of the findings.

1. Boost innovation capabilities: Managers and owners of small and medium-sized enterprises should create methodical approaches to innovation in goods and services. They should track competitors, get input from customers on a regular basis, and look for ways to enhance current goods and services.
2. Promote proactive market behavior: SMEs should do more than just respond to consumers. Owners and managers should keep an eye on new market trends, find new clientele, and predict shifts in demand.
3. Encourage prudent risk-taking: Entrepreneurs need to know the difference between prudent risk-taking and careless financial behavior. SMEs should evaluate expected returns, possible losses, cash-flow implications, and market conditions prior to making significant investments.
4. Develop your entrepreneurial abilities: Practical instruction in innovation management, opportunity recognition, financial planning, and risk assessment should be offered by government organizations, entrepreneurship development centers, and business associations.
5. Expand access to suitable funding: financial institutions ought to create SME-focused financing plans that take into account the unique traits and cash flow patterns of small enterprises. Entrepreneurs can adopt creative and growth-oriented strategies if they have access to suitable funding.
6. Promote digital innovation: SMEs should use the right digital tools for communication, customer relationship management, marketing, payment, and inventory management. Small businesses can reach clients outside of their

immediate physical locations through digital transformation.

26. Contribution to Knowledge

Three main contributions are made by the study.

Firstly, instead of considering SMEs performance as a general organizational concept, it offers a context-specific framework that connects entrepreneurial orientation with financial performance. Secondly, by concentrating on Kwara State, it provides evidence from a region that has gotten less attention than significant commercial hubs like Lagos.

Thirdly, the study shows how three aspects of entrepreneurial orientation—innovativeness, proactivity, and measured risk-taking—can be investigated concurrently. This multifaceted approach is in line with current EO research, which acknowledges that EO may take on various forms rather than being viewed as a totally undifferentiated concept.

27. Limitations of the Study

The study is subject to several limitations. First, the cross-sectional design does not permit strong conclusions about changes in entrepreneurial orientation and financial performance over time. Second, financial performance is partly based on respondents' perceptions. Some SME operators may be unwilling to disclose precise financial information. Third, the study concentrates on three dimensions of EO and therefore does not include other possible dimensions such as autonomy and competitive aggressiveness. Fourth, the results presented in this version are illustrative/simulated results prepared to demonstrate how the proposed

empirical article can be structured and analysed. They must not be presented as actual findings from Kwara State respondents until the questionnaire is administered and the real dataset analysed.

28. Suggestions for Further Studies

Longitudinal designs that look at how EO affects financial performance over a number of years should be considered in future research. Other aspects of EO, such as competitive aggressiveness and autonomy, might be included in future research. Researchers could investigate whether the relationship between EO and SME performance is mediated or moderated by elements like market orientation, digital capability, access to financing, entrepreneurial ecosystem, and business experience. Comparative research could also look at SMEs in Kwara State's various local government districts or contrast Kwara with other states in Nigeria.

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