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Entreprenurial Engagements In Youth Samples: Examining The Predictive Role Of Risk Tolerance

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Abstract

Youth entrepreneurial engagements have become increasingly vital in addressing economic challenges and unemployment issues in many parts of Nigeria. While studies have examined different predictors of entrepreneurial engagements with varied results, studies linking risk tolerance directly to entrepreneurial engagements among youth samples are lacking. Therefore, this study examines the predictive role of risk tolerance on entrepreneurial engagement among youth samples in Rivers State, Nigeria. Cross-sectional survey design was adopted while purposive sampling technique was used to select the study population. Data were collected from 219 youths using validated questionnaires and analyzed using simple linear regression to test one hypothesis that was accepted at p < .001 level of significance level. The result demonstrates significant influence of risk tolerance on entrepreneurial engagement among study participants, R^2 =.411, F (1,218) = 42.96, p <.001. In addition, the result reveals that risk tolerance independently predicts entrepreneurial engagement among study participants (β = .622, p <.001). The study concludes that risk tolerance is an important predictor of entrepreneurial engagement among youth samples. The study recommends that government agencies, non-governmental organizations, and higher institutions should design and implement entrepreneurship development programs that would explicitly enhance risk tolerance among the youth population.

Keywords: Risk tolerance, entrepreneurial engagement, youth samples

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INTRODUCTION

Entrepreneurial engagements refer to the planning, initiation, and management of income-generating activities by individuals, particularly among those driven by innovation, opportunity, or necessity. Moreover, it has been conceived as the activities that involve starting and operating new businesses with the goals of generating economic returns (Hisrich et al., 2017). For youths, entrepreneurial engagements represent a pathway to employment, economic empowerment, and social contribution. Entrepreneurial engagements vary from street vending, barbing salons, food services, and clothing lines to operating digital marketing. While some youths demonstrate significant entrepreneurial initiative, others remain passive or tend to rely on white-collar job expectations, even in the face of limited job availability.

The decision to engage in entrepreneurship is affected by several factors such as access to capital, government policies, and psychological factors (Ehondor et al., 2024; Ilevbare, et al., 2022; Roberts et al., 2023). However, the psychological factor considered in this study as a predictor of entrepreneurial engagement among youth samples is risk tolerance which is an individual's willingness to engage in behaviors with uncertain outcomes, particularly when there is potential for loss or failure (Brockhaus, 1980). When explained in the context of entrepreneurship, it is that unavoidable element that ranges from financial investment and market fluctuations to regulatory challenges and competitive pressures. Studies have found that individuals with high risk tolerance would be more likely to engage in entrepreneurial ventures despite uncertainties, while individuals with lower tolerance for risk would prefer more stable career paths (Adeoye & Olubiyi, 2023; Caliendo et al., 2009; Sadikin et al., 2023).

Risk tolerance as a psychological factor affecting entrepreneurial engagements has been studied. For instance, Caliendo et al. (2009) in a longitudinal study on risk attitudes of nascent entrepreneurs – new evidence from an experimentally validated survey has established that individuals with greater risk appetite were more likely to transition into self-employment and sustain new ventures over time. In an extant study, Miller and Friesen (1982) in their comparative study on innovation in conservative and entrepreneurial firms: Two models of strategic momentum, found that risk-taking was more pronounced in entrepreneurial firms compared to conservative ones. This finding showed that the willingness to embrace uncertainty, that is, taking risk, is a central component of entrepreneurial engagement.

Furthermore, Oguegbe et al. (2018) in their study on risk propensity and entrepreneurial entry among Nigerian youths found a direct link between risk-taking behavior and youth entrepreneurial entry, particularly in volatile sectors such as agriculture and tech start-ups. Similarly, Roberts et al (2026) found risk tolerance as a significant predictor of business venture

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engagement among youth samples. Finally, Omolawal (2023) who examined risk perception and entrepreneurial disposition among Nigerian entrepreneurs concluded that individuals who viewed risks as manageable were more likely to test and pursue business ideas, even in uncertain market conditions.

Understanding the psychological predictors of entrepreneurial engagement is critical for designing effective interventions to foster youth entrepreneurship. Moreover, the increasing emphasis on entrepreneurship by government agencies and non-governmental organizations has led to the introduction of youth empowerment schemes, business training programs, and financial support initiatives within Rivers State and its environs.

Despite these efforts, the response from some youths remains varied: some take full advantage of these opportunities, while others either withdraw midway or fail to participate at all. This uneven participation suggests that beyond the availability of external support, there are deeper, individual-level factors influencing whether a young person chooses to engage in or sustain a business venture. It is within this context that entrepreneurial engagement is not just seen as only economic outcomes, but as behavioral expressions influenced by psychological factors including the willingness to take risk. Therefore, this study fills the gap in knowledge by examining the predictive role of risk tolerance on entrepreneurial engagements among youth samples.

The study sought to provide answer to the question: To what extent does risk tolerance predict entrepreneurial engagements among youth samples in Obio/Akpor Local Government Area?

The findings of this study would help youths to develop the confidence and risk-taking mindset needed for entrepreneurial engagement. In addition, the study would guide policymakers in designing effective youth empowerment programs, assist educators in improving entrepreneurship education, support business organizations in enhancing training programs, and possibly contribute valuable insights to existing literature on youth entrepreneurial engagements.

THEORETICAL CONSTRUCT

The prospect theory was used to explain entrepreneurial engagement. The theory was proposed by Kahneman and Tversky (1979) which is a behavioral decision-making theory that explains how individuals evaluate and respond to risk, particularly under conditions of

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uncertainty. Unlike classical economic theories that assume people make rational decisions based on expected outcomes, Prospect Theory argues that individuals often make choices based on perceived gains or losses relative to a reference point—usually their current situation—rather than on final outcomes. One of the core principles of the theory is loss aversion, which posits that people experience the pain of a loss more intensely than the pleasure of an equivalent gain. When applied to this study, the theory explains that youths may not assess business opportunities purely through logical financial projections; instead, that their decision to start or avoid a business may be shaped by how they perceive the risk involved. For example, a youth who is unemployed and facing financial instability may see entrepreneurial engagement as a chance to gain wealth, but as a necessary escape from worsening hardship. In such a scenario, risk-taking becomes more appealing, because the perceived losses from not acting are greater than those of possible failure. Conversely, a youth who has some level of financial security might see starting a business as a threat to that security, and therefore exhibit risk-averse behavior due to the fear of loss. This demonstrates how Prospect Theory helps to explain why similar entrepreneurial opportunities may be interpreted and acted upon differently by individuals based on their psychological framing of the risk involved.

Therefore, Prospect Theory offers a robust theoretical lens for interpreting how risk tolerance predicts youth decisions about engaging in entrepreneurial ventures. It emphasizes that entrepreneurial decisions are not solely based on rational judgment but are deeply shaped by how individuals perceive gains and losses. This insight is important for understanding the complex psychological drivers of youths' entrepreneurial engagement and for designing policies or programs that foster positive risk-taking behavior.

The study tested the hypothesis that risk tolerance will independently predict entrepreneurial engagement among youths in Obio/Akpor LGA, Rivers State

METHOD

Research Design

The study adopted cross-sectional survey design while validated questionnaires were used to collect data from study participants. The independent variable was risk tolerance and the dependent variable was entrepreneurial engagement/entrepreneurial intention.

Setting

The study was conducted among the youth population in Obio/Akpor Local Government Area (LGA) of Rivers State, Nigeria. The LGA is one of the 23 LGAs in Rivers State which is a part

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of the Port Harcourt metropolis. It is known for its vibrant urban setting, high population density, and commercial activity. It is predominantly inhabited by the Ikwerre ethnic group but also accommodates diverse populations due to internal migration and economic opportunities. The LGA is considered a hub for youth-driven activities and small-scale entrepreneurial engagements, making it a relevant and strategic location for studying entrepreneurial behavior among Nigerian youths.

Population of the Study

The target population comprises youths between the ages of 18 and 35 years residing in Obio/Akpor Local Government Area who are either currently engaged in or have shown interest in entrepreneurial engagements.

Sample Size and Sampling Techniques

The sample size for this study was 219 youths. Convenient sampling was used to select study participants.

Instruments

Two validated scales were used for data collection.

General Risk-Taking Propensity Scale (GRiPS, Zhang, Highhouse, & Nye 2018) was used to assess risk tolerance among study participants. The scale comprised 8 items, rated on a 7-point Likert-type format ranging from strongly disagree to strongly agree. Sample items include: "Taking risks is an important part of my life" and "I am a believer of taking chances"**.** The scale has been used among the Nigerian samples (Roberts et al., 2026). The study obtained Cronbach's $\alpha = 0.76$.

Entrepreneurial Self-Assessment Survey by the US Small Business Administration (2005) was used to determine participants' degree of entrepreneurial engagements. It consisted of 12 items, focusing on practical entrepreneurial involvement, decision-making, and persistence. It is rated on a 7-point Likert's format ranging from strongly disagree to strongly agree. Sample items include: "Being an entrepreneur implies more advantages than disadvantages to me" and "If I had the opportunity and resources, I would love to start a business"**.** The scale has been used among the Nigerian samples (Nebo et al., 2026). The study obtained Cronbach's $\alpha = 0.80$.

Data Collection

Potential participants were approached in strategic locations including youth centers,

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recreational hubs, shopping malls, religious centers, etc. Potential participants were informed of the purpose of the study and were asked for their consent to participate in the study. They were informed of the voluntary nature of the study and assured of the confidentiality of their responses. Only those who agreed to participate were given the questionnaires to fill which took less than 14 minutes. The questionnaires were collected back on the spot. A total of 225 were distributed, and during screening and coding six questionnaires were not properly filled and were removed leaving 219 used for the analysis.

Data Analysis

IBM SPSS version 26 was used for data analysis. Both descriptive and inferential statistics were computed. Hypothesis 1 was tested using multiple regression while hypothesis 2 was tested using independent samples t-test. All hypotheses were accepted at p =.001 level of significance.

RESULTS

Participants' demographic data

Table 1: Distribution of Respondents by Demographic Information (N = 220)

Category	Sub-Category	Frequency	Percent
Age	15–20 yrs	58	26.4
	21–27 yrs	92	41.8
	28–35 yrs	70	31.8
Gender	Male	108	49.1
	Female	112	50.9
Marital Status	Single	167	75.9
	Married	34	15.5
	Divorced	1	0.5
	Separated	8	3.6
	Widowed	10	4.5
Religion	Christian	192	87.3
	Muslim	10	4.5
	Traditional	18	8.2
Educational Level	FSLC	9	4.1
	SSCE	21	9.5
	Bachelor's	134	60.9
	Master's	42	19.1
	PhD	14	6.4

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Total		**220**	**100**

Table 1 presents the demographics of study participants. The majority of the participants (42%) were aged 21–27 years, with females marginally higher (51%) than their male counterparts (49%). In terms of marital status, the majority of the participants (76%) were singles with 83% of the participants professing Christianity. Finally, 86% of the participants were degree holders.

To test the correlation between risk tolerance and entrepreneurial intention, zero-order correlation statistics was computed.

Table 2: Zero-order correlation of study variables

Variable	Mean	SD	1	2
1. Business Venture	45.2348	7.15069	-	
2Risk Tolerance	31.6348	7.33518	.641*	-

Note: N =220, *p <.001

As presented in Table 2, risk tolerance significantly and positively correlated with business venture engagement among study participants (r= .641, p <.001)

Testing the hypothesis

H1: Risk tolerance will independently predict business venture engagement among youths in Obio/Akpor Local Government Area. The hypothesis was tested using simple linear regression analysis and the results are presented in Table 2a-c.

Table 2a: Model of Risk Tolerance on Entrepreneurial engagements

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.641a	.411	.408	6.045

Table 2b: ANOVA of Risk Tolerance on Entrepreneurial engagements

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	1627.875	1	1627.875	42.96	.000b
Residual	2327.125	218	10.678		
Total	3955.000	219			

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Table 2c: Coefficients of Risk Tolerance on Entrepreneurial engagements

Predictor	B	Std. Error	Beta	t	Sig.
(Constant)	13.812	1.697	–	8.14	.000
Risk Tolerance	0.452	0.069	.641	6.55	.000

Table 2a-c shows the results of simple linear regression analysis of risk tolerance of youth engagement in entrepreneurial engagements in Obio/Akpor. The result demonstrates significant influence of risk tolerance on business venture engagement among study participants, R^2 =.411, F (1,218) = 42.96, p <.001. This implies that risk tolerance explained 41.1% of variance in business venture engagement among study participants. In addition, this means that for every one-unit increase in risk tolerance, business venture engagement increased by .452 units (β = .622, p <.001). The result implies that risk tolerance significantly predicts youth entrepreneurial engagements engagement in Obio/Akpor Local Government Area. Therefore, the hypothesis was confirmed.

DISCUSSION

The results show that risk tolerance significantly predicts entrepreneurial engagements among study participants accounting for 40.8% of the variance in the dependent variable. This indicates that youths willing to take calculated risks are more likely to engage in entrepreneurial engagements which inherently involves uncertainty and potential failure. This result is in line with previous findings that entrepreneurs generally display higher risk-taking tendencies compared to non-entrepreneurs (Oguegbe et al. 2018; Omolawal, 2023; Yi et al., 2022).

Business startup and managing one involves uncertainty whether in financial investment, market acceptance, or operational challenges and individuals who are more comfortable with risk would be more willing to take the leap into self-employment. Individuals who lack this disposition would avoid entrepreneurship altogether, preferring the relative safety of structured employment.

In the context of the study population where business conditions are often volatile due to infrastructural challenges, unstable policies, and fluctuating markets, risk-tolerant youths are more likely to pursue entrepreneurial engagements than their risk-averse counterparts. The results of this study which show that risk tolerance significantly contributes to entrepreneurial engagement aligns neatly with Stewart and Roths' conclusion. The implication is clear: The ability to accept and manage uncertainty is a core driver of why some youths initiate ventures while

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others shy away.

In addition, the study corroborates with the finding of Caliendo et al. (2009) that risk-tolerant individuals are more likely to become self-employed. Individuals who are more tolerant of uncertainty are more willing to forgo the security of paid employment to pursue business opportunities. When applied to the population of this study, this means that youths who possess higher levels of risk tolerance are more likely to choose self-employment as a viable pathway, despite the lack of institutional safety nets or guaranteed outcomes. Caliendo et al.'s finding provides another strong empirical support that risk tolerance is not only correlated with entrepreneurship but also predictive of who becomes an entrepreneur in the first place.

Further support comes from Obschonka et al. (2010) who demonstrated that youths with higher risk tolerance were more inclined to develop entrepreneurial careers. This means that for young people making career decisions, the willingness to embrace uncertainty often distinguishes those who opt for entrepreneurial paths from those who pursue more secure employment opportunities.

Finally, using the example from the Nigerian samples, the result from Roberts et al. (2026) confirms that risk-taking propensity significantly contributes to entrepreneurial behavior among young people, especially in challenging business environments in Nigeria. This reinforces the idea that entrepreneurship among Obio/Akpor youths is shaped not only by available resources but also by the willingness to embrace risk as part of opportunity exploitation.

CONCLUSION

The study examines the predictive ability of risk tolerance on business venture intention among youth samples in a named Local Government Area in Rivers State. The result demonstrates that risk tolerance was a robust predictor of business venture intention among study participants.

This study proffers the following recommendations:

Government agencies, non-governmental organizations, and higher institutions should design and implement entrepreneurship development programs that explicitly enhance risk tolerance among the youth population. Practical workshops, mentorship schemes, and simulation exercises should be employed to build youths 'confidence in their ability to start, manage, and expand entrepreneurial engagements. Training that focuses on problem-solving, creativity, and leadership would empower youths with the psychological capital required for entrepreneurship.

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Because risk tolerance significantly predicts entrepreneurial engagements among study participants, programs should include modules that teach risk assessment, financial literacy, and decision-making under uncertainty. Rather than discouraging risk-taking, initiatives should prepare youths to evaluate risks intelligently and manage them effectively. This would help demystify the uncertainties surrounding entrepreneurship, making youths more willing to pursue and sustain ventures.

Limitations and suggestions for further Study

The following limitations need to be addressed in further study

Because the study was conducted in only one LGA (Obio/Akpor) out of 23 LGAs of Rivers State, it limits generalization of study findings. Therefore, further study should include more LGAs possible beyond the State to enhance generalization of study findings. In addition, the use of self-reported questionnaires introduced response bias, suggesting further study to include group discussion and key informants to triangulate data collected from self-reported questionnaires. Moreover, the use of cross-sectional surveys did not allow establishing cause and effect, therefore, longitudinal studies would be better suited to observe how risk tolerance predicts entrepreneurial behavior over time. Finally, risk tolerance would not have been the only factor that predicted business venture engagement, other factors such as access to capital, family background, government policies, and social support systems would have been implicated. These factors should be investigated in further study.

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