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Role of Finance and Organizational Climate on Entrepreneurial Development among Selected Residents

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INTRODUCTION

Entrepreneurship is a key driver of economic growth and economic development. It is also a medium through which unemployment can be reduced and innovation can be promoted. It is a fact to say that entrepreneurship is a panacea for poverty reduction and eradication which is one of the cardinal eight point agenda of Millennium Development Goals. Entrepreneurship is seen as a key vehicle for employment creation, creation of economic wealth, and an essential means of enhancing the innovation dynamics in the local, regional and national economies (Chris 2010). Entrepreneurship provides a satisfying and rewarding working life, provides a flexible lifestyle and considerable business autonomy. It is becoming an increasingly important career option for unemployed people, secondary school and university graduates. At the national level, entrepreneurial activity contributes to economic growth and economic development (Chris 2010). Many researchers have written extensively on entrepreneurship and its effectiveness to the development of any given economy. Akanni (2008) further opined that the experiences of developed economies in relation to the roles played by entrepreneurship buttresses the fact that the significance of entrepreneurship cannot be overemphasize particularly among developing countries. In order to highlight its importance in relation to the growth and development of a given economy, entrepreneurship has been variously referred to as "source of economic growth". This is because entrepreneurial activities have been found to be capable of making positive impact on the economy of a nation and the quality of life of the people (Adejumo, 2000).

In a developing country like Nigeria, the role of entrepreneurship development is more important than that in developed countries so far as the creation of self-employment opportunities and reduction of unemployment situations are concerned. In Nigeria, small scale businesses which are products of entrepreneurship ingenuity comprise over ten percent of all registered companies. They are considered to be of significant importance to the economic development of the country for a number of reasons (Fabayo, 2009). These enterprises provide opportunity for employment on a large scale and therefore, enhance the distribution of income. Entrepreneurship also provides the means of creating more opportunities at relatively low cost. Thus, in a labour intensive economy like Nigeria, they facilitate the mobilization of human and other resources that would otherwise be left idle (Fabayo, 2009).

Nigeria has also witnessed an increasing interest in entrepreneurship among academic scholars, government policy makers and business leaders. Self-employment and small enterprise initiatives are presently high on the country's national agenda. Some of these national policy thrusts and programmes include the National Directorate of Employment (NDE), National Economic Empowerment and Development Strategies (NEEDS), National Poverty Eradication Programme (NAPEP), Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), the New Partnership for Africa's Development (NEPAD) (Osibanjo, 2006) etc, in the hope that these initiatives will provide alternative channels of employment and entrepreneurship development. Universities and vocational training institutes in Nigeria have incorporated entrepreneurship and small-scale enterprise (business) management in their course curriculum so as to provide students the necessary exposure to the entrepreneurial and industrial climate of the country. Notwithstanding these efforts, observations made by some researchers reveal that entrepreneurs still fail (Philip 2013). Poor planning, cash flow problems, poor financial control, inexperience, among others were observed by Ejembi (2013) as factors influencing the failure of entrepreneurs (and entrepreneurship) in Nigeria which invariably has contributed to poor entrepreneurship development of the country

In Nigeria, scholars such as Charity and Ezenwakwelu (2014), Metu, and Nwokoye (2014), Udefuna and Uzodinma (2017), Asogwa, and Anah (2017) and Adelekan, Majekodunmi and Omotayo (2018) have studied entrepreneurship development. A cursory look at this studies revealed that most of the studies are theoretical in nature with very few ones been empirical in nature. Even the little one with empirical study did not have a clear predictor variables influencing entrepreneurship development. Also, must of the studies was carried out among entrepreneur with little or no study on residence of a country. Hence this gap in the literature motivated this study to carry out the role of finance and organizational climate on entrepreneurial development among selected residents.

Review of Related Studies

Oyedokun (2015) evaluated the interrelationship between the performance of Small and Medium Scale Enterprise (SME) in relation to the miniaturized scale of financing available to them. The emphasis was on small scale account establishment and entrepreneurial firms in south-western Nigeria. The study found that a critical and positive relationship exists between advances gotten from smaller scale fund banks or micro-finance banks (MFBs) and the execution of little and medium scale entrepreneurial firms. Gulani and Usman (2012) examined the challenges that small and medium scale enterprises (SMEs) face in financing new or existing business ventures or operations. The population in the study comprised of SMEs working in Gombe State. The study showed that there exists no critical distinction in the challenges that SMEs face when accessing fund (finance) from different sources. Friday (2012) evaluated the effect of microfinance institutions (MFIs) on small and medium enterprises (SMEs) in Nigeria using study plan. The study showed that considerable number of the SMEs profited from advances from MFIs in spite of the fact that only few of them were sufficiently proficient to secure the required sums. Akinola (2013) evaluated strategies for funding and financing entrepreneurship in Nigeria utilizing longitudinal descriptive design data-set. The study established appropriate strategies to obtain funds from the various sources of finance by both small and medium scale enterprises.

Ovat (2013) investigated the liquidity constraints and entrepreneurial financing in Nigeria, utilizing a descriptive approach and a sample of undergraduate students who were evaluated via questionnaires. The study discovered that costs or finance required are subject to the level of sophistication or modernization of the undertaking involved.

Kounouwewa and Chao (2011) conducted a study on the determinants of financing imperatives in sixteen (16) African nations including Nigeria. The outcome showed that the size and structure of the firm are variables in the development of small and medium scale enterprises. Somoye (2013) investigated the influence of financing on enterprise development in Nigeria utilizing endogenous growth framework. The outcome demonstrated that financing (funding), loan fee, levels of employment and modern efficiency are critical to the survival and success of business enterprises in Nigeria. The outcome also demonstrates a unidirectional Granger causal relationship and recommends that access to finance by business enterprises has critical association with the development of the financial system in Nigeria.

Muritala, Awolaja and Bako (2012) explored small and medium scale enterprises as a veritable tool in economic growth and development utilizing study technique. The study recognized factors upsetting the development of small and medium scale businesses in Nigeria as absence of budgetary support, poor administration, inadequate expertise and experience, poor governance framework, inadequate benefits, high interest rates etc. Akinbola (2013) investigated the degree to which financing of small scale enterprises has contributed to entrepreneurial advancement. The study was restricted to the clients of ten microfinance banks situated in Ojo LGA of Lagos state, Nigeria. It was found that microfinance banks do possess the capacity to contribute meaningfully and substantially to entrepreneurial development in Nigeria. Zubair (2014) evaluated the effect of the influx of SME financing on the development and advancement of the financial (monetary) system in Nigeria. The study embraced co-relational exploration plan utilizing optional information for a period from 1992 to 2013. Autoregressive Integrated Moving Average (ARIMA) model was connected in the investigation. The study showed that microfinance banks have positive impact on the development and advancement of the financial system in Nigeria during the period. Ofili (2014) evaluated the challenges facing entrepreneurship in Nigeria, utilizing qualitative research methodology. The study discovered that policies formulated by the government are such that do not promote the growth of small and medium enterprises.

Methods

Design

The study adopted a descriptive survey research design. This design is suitable because it will involves observing and describing the behaviour of a subject without influencing it in any way but through the use of questionnaires aimed at finding the influence of finance and organizational climate on entrepreneurial development among residents of Ibadan-North Local Government Area. The independent variable in this study is finance and organizational climate while the dependent Variable is entrepreneurial development

Setting

The study was carried out in Ibadan-North Local Government Area. Ibadan North West Local Government Area was created in 1991 by the then Military Head of State, General Ibrahim Babangida (rtd). The local government covers a large area of land with a population of about 152,834 according to the National Population Census conducted in 2006. The local government is divided into eleven wards and has its administrative headquarter at Onireke. However, Oke-Badan North Local Council Development Area (LCDA) has been carved out of Ibadan North West leaving it with six wards.

Participants

A total number of two hundred and thirty-one (231) respondents were used in this study. According to sex distribution, it is shown that more of the respondents 146 (63.2%) were males, while the other 85 (36.8%) were females. Age distribution revealed that more of the respondents 87 (37.7%) were between 30 and 34 years old, 56 (24.2%) were between 25 and 29 years old, 38 (16.5%) were less than 25 years old, 35 (15.2%) were between 35 and 39 years old, while the other 15 (6.4%) indicated to be 40 years old and above. According to educational qualification, more of the respondents 97 (42%) indicated to be ND/NCE holders, 56 (24.2%) were SSCE holders, 46 (19.9%) were HND/University degree holders, 17 (7.5%) were primary school certificate holders, while the other 15

(6.4%) were postgraduate degree holders. When asked whether they have run a business before, greater number of the respondents 152 (65.8%) indicated that they have never run a business in before, while the other 79 (34.2%) indicated that they have at a point in time run a business before. Finally, respondents were asked whether they see themselves having a business of their own in the nearest future. Majority of the respondents 165 (71.4%) indicated that they see themselves running a business enterprise in the nearest future, while the other 66 (28.6%) indicated that they do not see themselves running a business in the nearest future.

Measures

Access to Finance scale was developed by Siaw (2010). This scale measures how accessible individuals are to finance for any purpose or reason. The scale has response format that ranged as follows; SA = Strongly Agree, A= Agree, U = Undecided, D = Disagree, SD = Strongly Disagree. Siaw (2010) reported an internal consistency of 0.67

Organizational Climate was developed by Suarez et al., (2013). The scale was developed to measure the extent to which an employee perceives the atmosphere in an organization. The scale has response format that ranged as follows; SA= Strongly Agree, A= Agree, U= Undecided, D = Disagree, SD = Strongly Disagree. The scale developers reported an internal consistency of 0.82.

Entrepreneurial Development was measured using the 10 item developed by the researcher. The scale was scored on a five point likert scale of SA = Strongly Agree, A= Agree, U = Undecided, D = Disagree, SD = Strongly Disagree. The scale has reliability a test-retest of 0.65.

Data collection procedure

Questionnaire was used to collect data from the respondents after permission was soughed out from concerned stakeholders in the community were the study was conducted. The researcher also informs the participants of the rationale as well as the important of the study. Informed consent was filled by participants willing to participants in the study. The researcher also assured participants of confidentiality and also informs them that they can withdraw from the study any time they so wish to do so. The researcher strictly follows research ethics throughout the conduct of the study. A total number of 250 questionnaires were distributed via a convenience sampling technique to the participants but only two hundred and thirty-one questionnaires were retrieved back as nineteen of the questionnaires were not returned back. The filled questionnaires were subjected to statistical analysis.

Method of data analysis

Data was analysed using the statistical package for social sciences (IBM-SPSS version 24). Descriptive and inferential statistics was used to analyse data in this study. The descriptive statistics was used to analyse the socio demographic factors while inferential statistics such as multiple regression was used to analyse the hypothesis in the study.

Results

Finance and organisational climate will jointly and independently predict entrepreneurial development among residents.

Table 1: Hierarchical multiple regression analysis showing the joint and independent predictive role of Finance and organisational climate on entrepreneurial development

	Model I		Model II	
Predictors	β	t	β	t
Finance	.60	4.64**	.60	4.79**
organisational climate			.43	3.30**
R	*0.31*		*0.31*	
R^2	*0.10*		*0.12*	
Adj R^2	*0.9*		*0.12*	
R2 change (%)	*0.9*		*0.04*	
Df	*1,221*		*2,221*	
F	*61.21***		*30.54***	
F change	*61.21***		*26.04***	

$^{**}p < .01$

Results of a two-model hierarchical multiple regression in Table 1 showed that at first model, finance contributed significantly to the regression model, F (1, 221) = 861.21, p<.01 and accounted for 10% of the variation in entrepreneurial development. Addition of organisational climate in second model led to a significant increase to 12% of variation in entrepreneurial development with joint contribution to the regression model F(2, 221) = 30.54, p < .01. Similarly, at the second model, finance (β = .60, p < .01) and loneliness (β = .43, p < .01) independently predicted entrepreneurial development among residents.

Discussion

The study has been able to add to literature study on entrepreneurial development. Based on the hypothesis, the study found that there was a joint and independent prediction of finance and organisational climate on entrepreneurial development. The study finding was in line with study done by Oyedokun (2015) found that a critical and positive relationship exists between advances gotten from smaller scale fund banks or micro-finance banks (MFBs) and the execution of little and medium scale entrepreneurial firms. Gulani and Usman (2012) found that finance and organisational climate predict entrepreneurial development. Akinola (2013) also found that financial capacity and organisational climate jointly predicted entrepreneurial development. The reason why this finding was so maybe unconnected with the important of finance and organisational climate in any society, for instance when a country is not financially buoyant and the environment is not conducive such entrepreneur tends to do poor and this invariably affect the entrepreneurial development of such a country.

Conclusion and Recommendations

The study has been able to conclude that finance and organisational climate have joint and independent predictive role on entrepreneurial development. Based on this conclusion the study recommended that The Nigerian government should encourage young entrepreneur through provision of finances in form of loans and grants to its teeming youth through its entrepreneurship development programmes. Other incentives could also include provision of basic amenities and conducive business climate most especially consistent supply of electricity, security to lives and property, functional judicial system, strict adherence to taxes and levies, political as well as macroeconomic stability which are all geared towards a peaceful coexistence aimed at encouraging business expansion and networking in the country. The study also recommends that non-governmental organisations can also provide soft loans and enabling business climate to young entrepreneurs and this could also improve entrepreneurship development in the country.

Limitation and suggestion for further studies

This study is faced with some limitation; firstly, the sample size used in this study is relatively small which means generalising the result to other part of the country may be near impossible. The issue of respondents social desirability effect which often time bias result is also a limitation in the study. Therefore, to enhance the strength of this study, Future studies can improve on the sample of the study; can also improve on the method of data collection such methods could include interview and focus group discussion. Finally, more studies should be carried out on the determinants of entrepreneurial development among individuals.

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