

Institutional Environmental Attributes and Entrepreneurship Development in Nigeria

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Abstract— This paper examined the influence of institution environmental attribute on Business development with a specific focus on the numbers of aspiring entrepreneurs in Lagos State. Primary data were used. The primary data were sourced through a self-administered structured questionnaire designed for small scale business owners in Alimosho LCDA, Lagos State, Nigeria. A proportionate stratified random sampling technique was used to select a sample of one hundred and twenty (120) respondents from a population of registered members of small and business operator in Alimosho LCDA, Lagos state. Data collected were analyzed using descriptive statistics like a table percentage, while formulated hypotheses were tested through the use of Regression Analysis at 95% confidence level. The result ($P\text{-Value} = 0.0000$; $R^2 = 0.488$) revealed that institution environmental attribute has significantly influenced individual business persons aspiring to be entrepreneurial. This study concluded that weak and corrupt government institution is detrimental to long term sustainable business performance and inimical to Entrepreneurship development and therefore, recommended that individuals and non-governmental organizations should join hands with the government in the fight against corruption in order to create a business friendly environment.

Keywords— Entrepreneurship, institution, Environmental Attribute, Small Business Owner, Entrepreneurship Development.

I. INTRODUCTION

Nigeria happens to be the most populated nation in Africa, and it is naturally endowed with human and material capital. According to the International Monetary Fund (2016), it is Africa's largest economy, led by South Africa, and it is the continent's largest oil producer and OPEC's sixth largest.

It has called for such approaches to addressing many of Africa's political and social problems. Nigeria had initiated some far-reaching economic reforms a few years earlier, with the intention of diversifying the economy and stimulating the private sector to create employment for the youth. The recent progress on the Boko Haram and Niger Delta negotiations demonstrates the Federal government's dedication and determination to implement its three-point reform agenda, which includes battling corruption, instability, and unemployment.

According to the literature, no country can break free from high unemployment and poverty without the help of

entrepreneurship growth. Entrepreneurship and small business owners are seen as vital to every economy's survival in the global economy as it impacts individual countries. It is regarded as the driving force behind economic development and growth. MSMEs account for around 40% of GDP in countries like Indonesia, Thailand, and India (International Finance Corporation, 2002). Small businesses are the cornerstone of economic growth because they lead to the creation of jobs, the reduction of income inequality, the manufacture of goods and services, and the acquisition of skills.

Statement of Problem

Nigeria, on the other hand, is still a long way from making the substantial economic and social change needed to improve the standard of living for the average Nigerian. Nigeria's poor score on Human Development in terms of low welfare and weakness in the lives of ordinary people represents the severity of the problem. Nigeria ranks behind a number of countries with similar-sized economies, as well as smaller economies or war-torn countries such as Syria, Burundi, Congo, Liberia, and Malawi, among others, in terms of ease of doing business and competitiveness (IMF, 2016). The state of tertiary education in Nigeria is much more difficult to determine. Poor funding, enrolment growth beyond the ability of facilities, and low educational quality plague tertiary education (World Health Organization, 2008). It is important, but sad to say, that the majority of Nigerian youth are unemployed, and as a result, they turn to self-employment to make ends meet.

As a result of the fact that more than 60% of graduates are unable to find work immediately after graduation, many of them choose to be self-employed rather than relying on the government for work. The Nigerian government's primary concern at the moment is to empower as many people as possible, especially young graduates, to become self-employed. As a result, policymakers have actively pursued entrepreneurship initiatives aimed at assisting young people in acquiring the tools they need to start their own companies. Aspiring to start a new company is a significant practice that is

promoted by government policy and institutions and is seen as crucial for job creation, creativity, and long-term economic development.

According to the proven thrust of multiple entrepreneurial-related policies in Nigeria aimed at addressing the rapid growth of a competitive and sustainable private sector in order to diversify the economy and reduce the growing rate of youth unemployment, very little appears to have been accomplished in this regard. Some of these entrepreneurial policies tend to be helpful, but the issue of government structural barriers prevents them from assisting Nigerians in their entrepreneurial endeavors. Entrepreneurs are affected by the law enforcement system, which includes police, judiciary, tax, and procurement officers, among others.

Corruption in these areas distorts supply and demand, favoring entrepreneurs with connections in government and discouraging others from starting new businesses. As a result of this fact, the current study aims to investigate the effect of institutional environmental attributes on entrepreneurial growth from the perspective of business owners (Entrepreneurs) in Nigeria's Lagos state.

Research Hypothesis

H₀₁: There is no significant effect of institutional environment on entrepreneurial development.

II. LITERATURE REVIEW

Concept of Institution Environment Attribute

Formal institutions, according to Zenger et al. (2001), are laws that are easily visible by written documents or rules that are decided and enforced by formal positions of authority or ownership. Explicit rewards, contractual terms, and firm boundaries established by equity positions are all examples of structured institutions.

Informal institutions, on the other hand, are characterized as rules based on tacit understandings that are primarily socially derived and thus not accessible through written documents or generally authorized through formal position. Social norms, rituals, and democratic structures are examples of informal institutions. According to Kraybill and Weber (1995), economic results are influenced by three types of institutions: government institutions, market institutions, and civil institutions.

The institutional context in which individuals and their organizations live and evolve is determined by these three categories, which cover different fields of socioeconomic activity. The institutional environment is defined by some authors (Dickson, 2004; Boryana, 2014) as the collection of political, economic, social, and legal conventions that provide the foundational basis for production and exchange. Others define the institutional environment as the structures of formal rules, regulations, and procedures, as well as informal conventions, traditions, and norms, which both extend and constrain socioeconomic operation and behavior.

Entrepreneurship and Business owner Concept

Individuals find opportunities, allocate capital, and generate value through the process of entrepreneurship. The

recognition of unmet needs or potential for improvement is often used to generate value. Entrepreneurship, according to Essien (2006), is the collection of self-asserting characteristics that allow an individual to recognize latent market opportunities as well as the ability to coordinate required resources in order to profitably exploit such opportunities in the face of measured risks and uncertainty.

Entrepreneurship, according to Aina and Salako (2008), is characterized as an individual's willingness and ability to seek out investment opportunities and take advantage of scarce resources to profitably exploit those opportunities. Entrepreneurship, according to Nwachukwu (2007), is the desire to start a company rather than being working. It entails the acquisition of required skills, concepts, and managerial abilities for self-sufficiency. Entrepreneurship is important for reducing unemployment in any country, and with the zeal of entrepreneurs, very valuable jobs will be developed, not only for entrepreneurs but for others in society as well (George & Archibong, 2010).

It is described as "one who undertakes innovations with finance and business acumen to turn innovations into economic goods." As a result, entrepreneurs see "problems" as "opportunities," and then take steps to find solutions and consumers willing to pay to get those problems solved (Okafor, 2005). Entrepreneurial performance is primarily determined by an entrepreneur's ability to recognize business opportunities, implement improvements (or capitalize on change), and generate value via solutions. Meanwhile, as Ali, Tajddini, Rehman, Ali, and Ahmed (2012) point out, being a business owner (Entrepreneur) is never a one-day game. Intentions are states of mind that inspire people to achieve specific goals. Entrepreneurial development is described as "the entrepreneur's state of mind that directs attention, experience, and action toward a business concept." The mind set of successful business owners is directed toward risk taking over the fear of failure with effectiveness, and thus, entrepreneurial development is defined as "the entrepreneur's state of mind that directs attention, experience, and action toward a business concept."

Relationship between Institutional Environment and Entrepreneurial Development

Successful self-employment and the development of a small business necessitate much more than entrepreneurial skills, resources and market access, and managerial abilities, among other things, but also enabling conditions for the long-term survival and expansion of businesses. The most obvious fact about business growth in recent years is that if system conditions are favorable, that is, if there is an enabling environment, all types of businesses are easier to start and eventually more efficient (World Bank, 1991; Palmer, 2007). According to the literature (Palmer, 2007; Bassey & Uyang (2014)), a lack of an overall strategic policy structure leads to poor institutional linkages, resulting in a disabling institutional climate for entrepreneurial pursuit. All of this shows how systemic inefficiency functions as a deterrent to potential entrepreneurs and results in low investment. In a similar vein, Evertart and Sumlinski (2001) found that public investment

“crowds out” private investment, and that the crowding out effect is greater in more corrupt countries.

They also say that when government projects are corrupted by corruption, the standard of infrastructure suffers, preventing private investment and entrepreneurship. Small businesses can face entry barriers as a result of corruption in this area. For example, if lawmakers favor big business, they can oppose legislation that allows small companies to take out loans to help them get started (Festus et. al., 2014). According to many studies, promoting the private sector and business growth requires a supportive business atmosphere. However, the Nigerian business climate lags well behind that of several other countries in comparable positions, and this remains a significant barrier to aspiring entrepreneurship development in Nigeria.

III. METHODOLOGY

The study relied on primary data, which was gathered through a self-administered standardized questionnaire designed for small business owners in Alimosho LCDA, Lagos State. From a population of registered members of small and business operators in Alimosho LCDA, Lagos state, a proportionate stratified random sampling technique was used to select a sample of 120 respondents. Alimosho LCDA in Lagos state was chosen because of the area's population of small business owners and their willingness to invest in their businesses despite the government's lack of attention in terms of infrastructure growth. The collected data was analyzed using descriptive statistics such as tables, and the hypotheses were evaluated using regression analysis at a 95% confidence level.

IV. RESULTS AND DISCUSSION

Tables (1a, 1b, and 1c) show that the institutional climate contributes 48.8 percent to the number of entrepreneurs who choose to start their own business (R²=.488, F=61.919, P.0.05). This means that the climate of the organization has an effect on entrepreneurial growth. This finding confirms Festus et al. (2014) argument that financial constraints, systemic corruption, and infrastructural constraints are all connected to market performance and a barrier to entrepreneurship.

Table 1a: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.488 ^a	.483	.479	2.044

Source: Field Survey, 2020

Table 1b: Analysis of Variance (ANOVA)

Source	Sum of Square	df	Mean Square	F	Sig.
Model					
Regression	258.765	1	258.765	61.919	.000a
Residual	639.403	118	4.179		
Total	898.168	119			

Source: Field Survey, 2020.

Table 1c: Simple Regression Analysis Showing the Performance Effect of Institutional Environment on Entrepreneurial Pursuit

Model	Unstandardised Coefficient		Standardized Coefficient	T	Sig.
	B	Std. Error	Beta		
1 Constant	61.264	4.092		14.971	.000
Entrepreneurial Dev	1.172	.149	.537	7.869	.000

Source: Field Survey, 2020.

V. CONCLUSION AND RECOMMENDATIONS

The study concluded that the institution's environmental attribute has had a substantial effect on entrepreneurial growth based on the results of the research. According to the results, poor and corrupt government institutions are harmful to long-term market success and entrepreneurial growth.

Individuals and non-governmental organizations should join hands with the government in the fight against corruption in order to build a business-friendly atmosphere, according to the findings.

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