Entrepreneurship Financing and Nation Building in Nigeria: Evidence from Agricultural Small and Medium Scale Enterprises

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ABSTRACT:
An attempt has been made in this study to examine the relationship between entrepreneurship financing from the perspective of agricultural small and medium scale enterprises and nation building in Nigeria from 1990 to 2017. Data were collected from the Central Bank of Nigeria Statistical Bulletin with the application of Autoregressive Distributed Lagged and Bounds test to address the objective of the study. The following are the findings that emerged in this study; agriculture and forestry business financing and gross domestic product growth rate have an insignificant negative relationship. There is a negative relationship between mining and quarrying business financing and GDP growth rate, but the relationship is significant at 10 percent level of significance. Meanwhile, broad money supply and GDP growth rate have a significant positive relationship. Therefore, this study makes the following recommendations to the policy makers in Nigeria. Firstly, if the Nigerian government wants to embark on meaningful nation building, financing of agriculture and forestry, mining and quarrying SMEs should be given urgent priority in the country. In the same vein, the authorities of Central Bank of Nigeria should as a matter of urgency regulate commercial banks to channel substantial amount of their credits towards agricultural SMEs in affordable and sustainable manners.

Keywords: *Entrepreneurship; GDP Growth Rate: SMEs Financing; ARDL and Nigeria*

INTRODUCTION

Nation building in developing countries requires a holistic approach, especially in developing countries of Africa that are faced with various developmental challenges ranging from continuous rise in unemployment, abject poverty, infrastructural deficits, insecurity and inadequate power supply. In the past few decades especially before the advent of oil and gas in Nigeria, nation building depended on agriculture in the country. In 1970, outputs from agriculture contributed to about 71% GDP in Nigeria alongside with 90% of revenues from overseas respectively CBN (1971). In the same vein, Nigeria occupied the second largest cocoa producer and the biggest producer and exporter of palm products in the world respectively (FAO, 1980). It is instructive to state that the larger bulks of developmental projects in the early post Nigerian independence

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era was executed from the proceeds of agricultural products, especially cocoa exports. For examples, several monumental projects such as the first African Tropical Skyscraper, cocoa house, the then Western Nigerian Television now Nigerian Television Authority, (NTA) which is first in Africa and the then prestigious university of Ife, now Obafemi Awolowo University, Ile Ife came into existence as a result of agricultural revenues.

However, in the recent times, agricultural sector has been largely neglected in Nigeria due to the quick money in oil and gas. The negligence of the agricultural sector which happened to be the former mainstay of the Nigerian economy spelt doom for the country. The comatose state of the Nigerian economy recently has been linked with continuous dwindling in oil prices volatility in the global oil market. The aftermath effects of this scenario led the country into recession in which over two third of the Nigerian states could not pay workers` salaries for more than 12 months because these states could not generate revenues internally to sustain their states. Against this backdrop, the advocacy for entrepreneurship in nation building becomes critical. In Nigeria, small and medium scale entrepreneurship could provide formidable forces for nation building through employment generation, output expansion and sustainable economic growth. These set of businesses are major drivers of the economy in the newly emerging economies of the world. Multiplier effects of entrepreneurship facilitate the productive economic activities and better the standard of life of citizens (Ogundele 2000; Mead and Liedholm, 1998).

Meanwhile, the urgent need for nation building in Nigeria orchestrated the introduction of vital programs by the policy makers towards creating an enabling environment for the development of small and medium enterprises in the country. Over the time, accessibility of cheap and sustainable credit for SMEs has been one of the serious hurdles confronting entrepreneurs in Nigeria (Friday, 2012). In order to revamp the agricultural sector in the country, the Nigerian government extended credit facilities to SMEs via the Nigerian Agricultural and Cooperative Bank (NACB), the Peoples Bank of Nigeria (PBN), Community Banking Scheme, the Family Economic Advancement Program (FEAP), the Nigeria Agricultural Cooperation and Rural

Development Bank (NACRDB) and Micro Finance Bank (MFB) Scheme in 2005.

Consequently, a causal evaluation of these schemes and programs has shown an impressive success in national development. Sustainable nation building hinges on sustainable economic growth and development that can propel full employment and economic stability. SMEs constitute over 50% of the Nigerian business, financing these businesses in achieving national development could not be undermined. This has sparked off empirical arguments among the scholars in the recent times. However, the focus of the existing literature is on the nexus between aggregate SMEs financing and economic development in Nigeria. It has been observed that the results of the past studies have been conflicting which could spell doom for policy implication in the country. See Gbandi and Amissah, (2014), Ogbo and Nwachukwu (2012), Muritala, Awolaja and Bako (2012), Franck and Huyhebaert (2008). In order to resolve this conflict, there is a need for sectoral assessment of how SMEs financing contributed to nation building in the time past. This study focuses on agricultural and forestry, mining and quarantine SMEs financing because agricultural sector is the highest employer of labor in Nigeria and the Nigerian economy is largely agrarian. In view of the above, this study examines the contribution of SMEs financing to the development of the Nigerian economy from 1980 to 2018. Apart from the introduction, the rest of this study is organized as follows, section two reviews empirical literature meanwhile, methodology, analysis of data, discussion of the results, summary and policy recommendation are presented in section three.

Empirical Review

In the recent times, studies on entrepreneurship and its impacts on macroeconomic variables have received a global attention. In view of the above, this section provides the contributions of the past studies as follows.

Ogbo and Nwachukwu (2012) investigated small and medium entrepreneurship enterprises and its impact on economic development in Nigeria. In the study, the study randomly sampled a total of 100 SMEs across some states in Nigeria with statistical analysis. It is important to state

that the principal findings that originated from the study was that small and medium enterprises had not performed to the expectation in context of Nigeria because of the various multifaceted problems ranging from attitude and habits of small and medium enterprises in response to environmental related factors and frequent changes in government policy. It was submitted from the study that the sponsors of SMEs should make sure that they possess adequate managerial skills prior embarking on enterprise development via financial resources. Muritala, Awolaja and Bako (2012) examined how small and medium enterprises helped in economic growth and development in Nigeria. The authors employed a survey technique to report that financial support inadequacy, deficient infrastructural facilities, poor management, corruption, lack of training and experience, insufficient profits, and low market for product and services are the major bottlenecks to the growth of small and medium scale business in Nigeria. Gbandi and Amissah (2014) opined that the performance of SMEs was not up to the expectation in growing and developing the Nigerian economy in spite of the fact that businesses in the country are composed of 90% of SMEs. In order to encourage the active performance of SMEs in driving economic growth and development in Nigeria adequate funding of SMEs cannot be overemphasized in the country.

Consequently, Oladele, Akeke, and Oladunjoye (2011) conducted a research focusing on how entrepreneurship development affects unemployment reduction in Nigeria. Multiple regression analysis was employed to address the objective of the study. It could be concluded from the study that the Nigerian government through its various agencies should encourage entrepreneurial activities in the country to tackle disturbing level of unemployment in the country. While analyzing the contribution of microfinancing contributed to small and medium enterprises (SMEs) in Nigeria, Friday (2012) used survey to posit that the SMEs have been the major beneficiaries of microfinance banks' in the country. Also, the direct effects of MFIs loans on SMEs are as follows; product innovation, company's economic competitive advantage and promotion of market share. Quaye (2011) investigated the link between Microfinance Institution (MFIs) and the growth of Small and Medium Scale Enterprises (SMEs) in Ghana. The author argued that MFIs brought about a rise in SMEs growth because MFIs ensured a greater access to credit, enhancement of savings and provision of business, financial and managerial training. Matthias and Walter **(**2014) opined that becoming an entrepreneur has to do with a relative increase in risk attitudes which change over time.

In summary, studies on entrepreneurship are evolving in Nigeria which focus on small and medium enterprises. However, its impact on nation building in the country has not been fully explored which is the gap in which this study intends to fill.

RESEARCH METHOD

Secondary data from 1990 to 2017 were sourced from the Central Bank of Nigeria Statistical Bulletin. The data extracted as follows SMEs finance from the commercial banks distributed to agriculture and forestry, mining and quarrying, manufacturing and food processing, broad monetary supply and Gross Domestic Product.

Model Specification

The objective of this study is addressed which examines the relationship between SMEs financing and nation building in Nigeria within econometric technique, and therefore the model is specified as follows;

Nation Building = f (SMEs Financing) ……………………………..……...…………. (1)

GDP GRT= f (ACBF, MNQF, MS) …..…………………………………….....… (2)

If equation (2) is linearized, it leads to equation (3)

GDP GRTt $=\delta_0 + \delta_1 LogACBFt + \delta_2 LogMNQFt + \delta_3 LogMSt + Ut$ ------------------ -- (3)

Autoregressive Distribution Lag Model Specification

It was discovered that the dataset for this study is made up of different orders of integration when various diagnostic tests were carried out on the dataset. Therefore, the study employed ARDL model for its analysis (Pesaran, Shin and Smith, 2001: Pesaran and Pesaran, 1997). Therefore, ARDL model could be specified as follows:

$$\Delta GDP\ GRT_t = \delta_0 + \sum_{i=1}^{p} \delta_1\ \Delta\ GDP\ GRT_{t-1} + \sum_{i=1}^{p} \delta_2\ \Delta Ln\ ACBF_{t-1} + \sum_{i=0}^{p} \delta_3\ \Delta MNQF_{t-1} + \sum_{i=0}^{p} \delta_4 \Delta\ LnMS_{t-1} + Ut\ \text{----------------------- (4)}$$

Where; GDP GRT is gross domestic product growth rate and is used to measure nation building. ACBF is used to denote the agriculture and forestry business financing. MNQF represents the mining and quarrying business financing. MS is broad monetary supply. t ranges from 1990 to 2017 and U is the error term. Meanwhile, δ_1, δ_2, δ_3 and δ_4 measure short run parameters. *The aprori expectation is* that δ_1, $\delta_2\ \delta_3$ and $\delta_4 > 0$

RESULTS AND DISCUSSION

Table 1 shows the normal distribution of data utilized for this work. This is necessary because of econometric technique is premised on the asymptotic distribution of data. The estimated results show that the mean and median values of all the variables of interest are almost identical. This implies that the series shows some level of fairness in their distribution. In the case of perfect normal distribution, the values of mean and median must be the same (Karmel and Polasek, 1980). The values of the skewness show that all the variables are positively skewed except broad money supply. Likewise the values of Kurtosis of the variables are not far from 3 except that of GDP growth rate. This also indicates that the series are fairly distributed. Therefore, they can further be used for econometric analysis.

Table 2 shows estimated results of unit root test. This test is very important when time series data are employed for empirical analysis, this is because time series data are usually linked with the stationarity problem which could lead to a spurious or nonsense result in analysis. In order to overcome this problem, this study examined the stationarity property of the employed data within the framework of the standard Augmented Dickey-Fuller (ADF) and Phillips-Perron (PP) tests. As such, the estimated results indicate that GDP growth rate and broad money supply are stationary at level while other variables are stationary after first difference. This shows that are combination of I (1) and I (0).

Table 1: Descriptive Statistics of Annual Data Series (1990-2017)

Descriptive Statistics	GDP/GRT	LnACBF	LnMNQF	LnMS
Mean	5.377778	4.202742	4.621337	7.587236
Median	4.400000	4.091836	4.875622	7.664731
Maximum	33.70000	6.265197	7.703342	10.01518
Minimum	-1.600000	1.440167	-1.015007	3.859113
Std. Deviation	6.590047	1.405817	2.750902	1.896200
Skewness	0.029618	0.226553	0.623862	-0.363679
Kurtosis	13.84577	2.284224	2.312674	1.923643
Jargue-Bera	173.6383	0.807344	2.282883	1.898545
Probability	0.000000	0.667863	0.319358	0.387023
Sum	145.2000	113.4740	124.7761	204.8554
Sum. Sq. Deviation	1129.147	51.38437	196.7540	93.48490
Observation	27	27	27	27

Source: Authors` Computation (2019)

Table 2: Unit Root Test

Variables	ADF Test				
	Level	Probability	1st Diff	Probability	Remark
GDP GRT	-2.976263***	0.0026	-	-	I(0)
Ln ACBF	-2.971853***	0.5723	-2.976263	0.0000	I(1)
LnMNQF	-2.981038***	0.1505	-2.991878	0.0281	I(1)
LnMS	-2.971853***	0.0066	-	-	I(0)
Variables	PP Test				
	Level	Probability	1st Diff	Probability	
GDP GRT	-2.976263***	0.0025	-	-	I(0)
Ln ACBF	-2.971853***	0.4545	-2.976263	0.0000	I(1)
LnMNQF	-2.981038***	0.1505	-2.991878	0.0327	I(1)
LnMS	-2.971853***	0.0014	-	-	I(0)

Source: Authors` Computation (2019)　　　　　　　　　　　*** %5 level

Table 3: ARDL Bounds Test

Sample: 1991 2017
Included observations: 25
Null Hypothesis: No long-run relationships exist

Test Statistic	Value	k	
F-statistic	5.111540	3	
Critical Value Bounds			
Significance	I0 Bound	I1 Bound	
10%	2.72	3.77	
5%	3.23	4.35	

Source: Authors` Computation (2019)

Table 4: Parsimonious Short Run Regression Estimates

Dependent Variable: GDP GRT

Variable	Coefficient	T-statistics
DGDP GRT(-1)	-0.066966	0.299261
DLnACBF	-9.086410	1.696747
DLnMNQF	-13.91083*	1.860447
DLnMS	47.73538**	2.062158
R-Squared	0.583037	

Source: Authors` Computation (2019)　　　*Significant at 10%,　　**Significant at 5%

In order to examine the long run relationship among the variables of interest, this study utilized Bounds Test. The above estimated finding indicates that the Null hypothesis of no long run relationship could not be rejected due to the fact the value of F-Statistic is less than the upper and lower Critical Value Bounds at all level of significance. Hence, there is no cointegrating relationship among these variables. The variables of interest do not have a long run relationship, therefore the short run model is estimated (table 3).

Table 4 presents the ARDL result of the short run relationship between entrepreneurship financing from agricultural perspective and nation building in Nigeria. All the estimated coefficients did not follow expected a priori expectation except broad money supply. Consequently, agriculture and forestry business financing and gross domestic product growth rate have an insignificant negative relationship. In the same vein, the mining and quarrying business financing and gross domestic product growth rate, but the relationship is significant at 10 percent level of significance. A unit change in the mining and quarrying business financing leads to 0.13% reduction GDP growth rate. This implies that entrepreneurship financing from agricultural perspective has not contributed to the nation building in Nigeria because mining and quarrying, agriculture and forestry businesses financing did not improve GDP growth rate in the country. The reason for this poor performance could be attributed to the negligence of the agricultural sector by the Nigerian government and the majority of the finance institutions in the country. The finding in this study is in tandem with the findings of Gbandi and Amissah (2014), Ogbo and Nwachukwu (2012) and Muritala, Awolaja and Bako (2012) in related studies, though different methodologies were adopted. However, broad money supply and GDP growth rate have a significant positive relationship. A unit change in broad money supply caused GDP growth rate to increase by 0.47% in the country. The result of R-Squared shows that the model for this study is relatively good because 58% deviation in the dependent variable, nation building is explained by the set of the independent variables, entrepreneurship financing.

CONCLUSION AND RECOMMENDATION

In this work, the relationship between entrepreneurship financing from perspective of agricultural small and medium scale enterprises and nation building in Nigeria from 1990 to 2017 with the application of ARDL model. The following are the summary of the findings that emerged in this study; agriculture and forestry business financing and GDP growth rate have an insignificant negative relationship. The mining and quarrying business financing and gross domestic product growth rate, but the relationship is significant at 10 percent level of significance. Meanwhile, broad money supply and GDP growth rate have a significant positive relationship.

Therefore, this study makes the following recommendations to the policy makers in Nigeria. Firstly, if the Nigerian government wants to embark on meaningful nation building, financing of agriculture and forestry, mining and quarrying SMEs should be given urgent priority in the country. In the same vein, the authorities of Central Bank of Nigeria should as a matter of urgency regulate commercial banks to channel substantial amount of their credits towards agricultural SMEs in affordable and sustainable manners.

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