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Factors Influencing Opportunity and Necessity Driven Entrepreneurship among Small and Medium Enterprises (SMEs) In Anambra State, Nigeria

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Abstract
To promote and encourage entrepreneurship in order to achieve the highest level of sustainable economic growth and employment, it is important to understand what motivates individuals to create a business. This study estimated factors influencing opportunity and necessity driven entrepreneurs among SMEs in Anambra State, Nigeria. Primary data were collected using a well-structured questionnaire and oral interviews. Simple random sampling technique was used to select 150 SME owners' in Nnewi and Onitsha, Anambra State. Data were analyzed using descriptive statistics and probit regression analysis. Descriptive statistics revealed that majority of the respondents were male, married and educated with large household sizes. From the probit analysis result: socio economic, personality and perception factors significantly affecting opportunity business entrepreneurs include: age ($p<0.01$), and gender ($p<0.01$); proactiveness ($p<0.01$) and risk taking propensity ($p<0.01$); and perception of insufficient information ($p<0.05$), stigma of failure ($p<0.05$) and lack of financial support ($p<0.01$) respectively. The significant socio economic, personality and perception factors affecting necessity driven entrepreneurs were age ($p<0.01$), gender ($p<0.01$) and education ($p<0.01$); proactiveness ($p<0.01$), and risk taking propensity ($p<0.05$); stigma of failure ($p<0.01$) and lack of financial support ($p<0.01$) respectively. Based on the findings, the study recommends that the quality of entrepreneurial business should be improved by the government and policy makers through skills, human capital development that foster entrepreneurial trainings especially for women, and easy access to financial resources.

Keywords: Opportunity, necessity, entrepreneurs, SMEs, Anambra State

Introduction

Unemployment is a growing epidemic in Nigeria due to the white-collar jobs that are fast eroding as the financial institutions and manufacturing companies which used to be the juicy sectors people sought after, are folding up or merging as a result of the bank consolidation crisis as well as the intermittent power supply, insecurity, inconsistency in government policies, poor or dilapidated infrastructures and high interest rate, among others. These increase the costs of production, raise the price of products, undermine the profit-making potential of firms and result in layoff of workers, thereby increasing unemployment (Ogunjimi and Amune, 2019). Realizing the dangers high unemployment rate poses to the economy, the SME sector globally acknowledged as the oil required to lubricate the engine of socio-economic transformation of any nation is strategically positioned to absorb up to 80% of jobs, improve per capita income, increase value addition to raw materials supply, improve export earnings and step up capacity utilization in key industries through entrepreneurship which plays a crucial role in economic growth, innovation and competitiveness to alleviate poverty and reduce unemployment in developing countries (Landes, 2015; Odah, 2005). To achieve the highest level of sustainable economic growth and employment, many countries promote entrepreneurship (OECD Council Report, 2012). According to Kelley *et al.* (2012), not all those who become entrepreneurs respond to their environment in same way. Some respond to a perceived market opportunity, while others are forced into starting a business due to unfavorable circumstances. These forces have been categorized as the push and pull factors (McClelland and Swail, 2005). Therefore, based on the forces of push and pull that this study sought to analyze factors motivates entrepreneurs to create a business.

Within the context of a Global Entrepreneurship Monitor (GEM) survey, Reynolds *et al,* (2002) captured the distinction between push and pull motivation by introducing the concept of opportunity and necessity entrepreneurship. Individuals starting-up businesses can be sorted into one of the two categories as either necessity-driven individuals who don't have better choices for work, or opportunity-driven individuals who would take advantage of business opportunities (Williams and Williams, 2014). Necessity entrepreneurs are driven by push motivations and opportunity entrepreneurs by pull motivations (Bhola *et al*, 2006). Necessity entrepreneurs often start a business when they are unemployed, often pushed into becoming entrepreneurs by such external factors as losing a job, hitting a glass ceiling, family hardship and pressure, difficult economic conditions and frustration at work (Robichaud *et al.*, 2010; Deli, 2011). Necessity entrepreneurs typically have less human and financial capital and they are less likely to have business ideas with significant growth prospects. As a result, they also invest less in their business and less likely to incorporate (Caliendo *et al*., 2014). The pull associates initiates business with the notion of seizing an opportunity and make a deliberate choice to become self-employed. Opportunity entrepreneurs identify business opportunities when the unemployment rate is low and the economic conditions are good, and they establish new firms. They exploit business opportunities and contribute to economic development (Cheung, 2014). Pull motivations come in different forms, such as market opportunity, social status, profit innovation, independence, recognition, roles, financial success and self-realization, recognition, learning and roles (Giacomin *et al*., 2007).

Nigeria led the whole world in terms of the desire to explore available opportunities for starting a business and for possessing the self-confidence to start one (GEM, 2012). About 82% of Nigerian youths perceived a good opportunity for starting a business, while 86% believed that they have the skills and knowledge necessary to start a business (Ahmed, 2014). Nigeria is classified a factor-driven economy, dominated by subsistence agriculture and extractive businesses with a heavy reliance on unskilled labour and natural resources with the attendant implications (Ahmed, 2014). It may therefore be the case that entrepreneurial activity is high because of our level of development. Like many other developing countries, Nigeria has recognized the importance of SMEs for economic development and poverty alleviation. The Nigerian government has introduced various policies and programmes intended to boost the development of SMEs. Despite the existence of various programmes, the outcomes of these efforts have generally yielded poor results, with only a few SMEs managing to expand and develop (Olomi, 2002). Thus, this study sought to ascertain the socio-economic characteristics and other factors that motivate individuals to become either opportunity or necessity driven entrepreneurs among SMEs in Anambra State, Nigeria.

Methodology

The study was carried out in Anambra State, which is one of the 36 States of the Federation and one of five States in the South-East geo-political zone of the country. It is located on latitude $60^{0}09'$N and longitude $60^{0}47'$E. Anambra State has a total land area of 4,416 sq kilometers with an estimated population of 4.18 million people (NPC, 2018). Anambra State has 21 Local Government Areas (LGAs) and four agricultural zones (AZs) thus Aguata, Awka, Anaocha, and Onitsha with 3 senatorial districts (zones) viz; Anambra Central, Anambra North and Anambra South. From the four agricultural zones, 2 zones; Onitsha and Nnewi were purposively selected because of its potentials in terms of SMEs development and among the largest in West Africa. Onitsha is the gateway to eastern Nigeria and economic nerve center of Nigeria, while Nnewi (popularly called the Japan of Africa) is said to be the second largest economic hub of Anambra State after Onitsha. It plays a leading role as a center for the assembly and distribution of motorbikes, spare-parts and other business activities in Nigeria. The inhabitants are predominantly traders and manufacturers of auto and auto spare parts. The population of the study is made up of all the SME owners' all over Onitsha and Nnewi in Anambra State. The data for the study were collected from primary source using a well-structured questionnaire and some oral interviews on the Chief Executive Officers of Small and Medium Enterprises in the study area. From the list of SMEs in Onitsha and Nnewi zones generated from Anambra State Ministry of Commerce, Industry and Agriculture and other trade and industry associations taking into consideration the size and their capacity to provide information relevant to the research: 75 SME owners were randomly selected from each of the two zones making a sample size of one hundred and fifty (150) SME owners used for the study. Data were analyzed using descriptive statistics such as frequency tables, percentages and means; and probit regression analysis.

Model Specification

Probit Analysis

Probit analysis was used to analyze the factors influencing entrepreneurial engagement of opportunity driven and necessity driven entrepreneurship. The model is implicitly stated thus:

$$P(Y=1|X) = Pr(Y^{*}>0) = Pr(\beta_o + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + ... + \beta_{13}X_{13} + e > 0) \ldots (1)$$

Where:

Y= Entrepreneurial engagement of opportunity driven and necessity driven entrepreneurship (Binary variables; 0=No, 1=Yes)

Socio-economic factors

X_1 = Age (years), X_2 = Gender (male =1, female =2), X_3= Educational background (years)

Personality factors

X_4 = Proactiveness (If I see something I do not like, I

change it (1–4) mean value), X_5 = Competitiveness (I like situations in which I compete with others (1–4) mean value), X_6 = Autonomy (The possibility of being rejected by others for standing up for my decisions would not stop me (1–4) mean value), X_7 = Innovativeness (I am an inventive person who has ideas (1–4) mean value), X_8 = Risk-taking propensity (risk taker=1, risk averse =0), X_9 = General self-efficacy (when facing difficult tasks, I am certain that I will accomplish them (1–4) mean value).

Environmental perception factors

X_{10}= Perception insufficient information (It is difficult to obtain sufficient information on how to start a business (1–4), X_{11} = Stigma failure (Yes = 1, No = 0), X_{12} = Perception administrative complexities (mean value), X_{13} = Perception lack of financial support (It is difficult to start one's own business due to a lack of available financial support (1 = strongly disagree; 2 = disagree; 3 = agree; 4 = strongly agree)

β_o= constant

β_1-β_8= coefficients

Pr= probability function n (1, 0)

Results and Discussion

Socio-economic characteristics of SME's

Table 1 shows the frequency and percentage distribution of respondents. Descriptive statistics show that majority of the respondents were male (57%), married (44%) and with age bracket of 30-44) years. The age implication is that 60% of the respondents were still in their active age and shows preference to involvement in entrepreneurial activities to attain self-dependence. More than 94% were literate and had a household size of between 4-7 persons. High literate level of the respondents is an indication of an effective and efficient utilization of skills, innovation, and technologies for business sustainability. This result is in line with Lofstrom *et al*. (2014) who reported that higher education contributes to analytic abilities, communication and general business skills that positively predict entrepreneurial entry to specific industries.

Factors influencing entrepreneurial engagement of opportunity driven and necessity driven entrepreneurship

The results in Table 2 show the probit regression estimates of factors influencing entrepreneurial engagement of opportunity driven and necessity driven entrepreneurship in the study area**.** The results showed Pseudo R^2 of 87.42% and 69.69% for opportunity driven and necessity driven entrepreneurship respectively with significant chi-square at 1% level for opportunity driven (1621.560) and necessity driven entrepreneurship (1114.529). The result showed a strong explanatory power of the model. Age has a positive and negative effect and significant at p<0.01 probability level for opportunity driven and necessity driven entrepreneurs respectively. Reynolds *et al.* (2002) noted that age has a different effect on opportunity and necessity entrepreneurs. Particularly, Block and Sandner (2009) observed that opportunity entrepreneurs are older than necessity entrepreneurs. Age of an entrepreneur defines their ability to make decision, the implication is that as the entrepreneur advances in age, the probability of being an opportunity and necessity driven entrepreneurs' increases by 3.3% and decreases by 2.8% respectively. According to Olivier *et al.* (2011), an older individual will not start a business because of search for social recognition. This can be explained by the fact that an older person has already reached some kind of social recognition through his professional career and/or personal fulfillment. The negative impact hereof could be explained by the fact that often an older individual has already gained some financial and social independence and were he has to start a business; this aim will not be predominant.

Gender has a positive impact on this entrepreneurial dynamics and significant at p< 0.01 each. Studies on the relationship between gender and entrepreneurial motivation has yielded contradictory findings (Verheul *et al,* 2010). Several studies pointed out that gender has a positive effect on being an opportunity entrepreneur versus necessity entrepreneur. Thus, this result implies that male entrepreneurs have higher likelihood of being opportunity and necessity driven entrepreneurs than their female counterparts. The result is in consonance with Bergmann and Sternberg (2007) who reported the probability of being opportunity entrepreneur for men is higher than women. Also, Giacomin *et al.* (2011) revealed that men are more often influenced by their family circle in order to perpetuate the family tradition and that they are more sensitive to this constraint. The coefficient of education was significant at p<0.01 and negatively related to necessity driven entrepreneurship. This implies that increase in level of education decrease the probability of being necessity driven entrepreneurship. The result shows that higher level of education equates to a lower likelihood of necessity driven entrepreneurship. The implication of this result is that, according to Saravsvalty (2004) and Hattab (2012), individuals who are unemployed (or cannot be hired) due to lack of education are pushed to become necessity entrepreneurs to make money.

A significant negative coefficient for opportunity and necessity driven entrepreneurs at p<0.01 level was observed for proactiveness. This implies that the opportunity driven entrepreneurs are more proactive and optimistic than their necessity driven counterparts who are seen as more pessimistic in their business dealings. Risk taking propensity was positive and significant for opportunity driven entrepreneurs at p<0.01 level, while negative at p<0.05 level for necessity driven entrepreneurs. Opportunity business owners appear to be more risk taking than necessity business owner who are risk averse, and risk tolerant enhances survival of opportunity driven entrepreneurs. This result is plausible as opportunity business owners are assumed to be educated, employed and can go for higher business loans especially from money lenders. According to Okezie (2019), education correlates with being employed and thus, money lenders prefer to

provide business owners with credit because they meet their requirements such as a permanent job. This result corroborates Brunjes and Diez (2013), who reported that education and risk taking increases the probability of being an opportunity business owners.

Perception of insufficient information had a significant and negative coefficient at P<0.05 level for opportunity business owners. This implies that opportunity business owners are significantly less pessimistic than necessity business owners about availability of startup information. This result is consistent with the findings of Peter *et al.* (2016). Fear of failure was negative for both opportunity and necessity driven entrepreneurs and significant at p<0.05 and P<0.01 probability level respectively. The result implies that stigma of failure reduces the probability of being an opportunity and necessity business owner. This may be related to the perception that people who started their business failed. Lack of financial support coefficient was significant and positive for opportunity driven entrepreneurs and negative for necessity driven entrepreneurs at p<0.01 level respectively. This implies that individuals who believe that it is difficult to start a business due to lack of available financial support are more likely to have necessity start up motivation than opportunity start up motivation. Though Girlo and Thurik (2008) concluded that perception of financial support does not withhold necessity individuals to start up their business, neither does it discourage an active involvement in entrepreneurial activities.

Conclusion

The study analyzed factors affecting entrepreneurial motivation (opportunity and necessity) of SMEs in Anambra State, Nigeria. From the findings, the socio economic, personality and perception factors significantly affecting opportunity business entrepreneurs include: age, gender, and education; proactiveness, and risk taking propensity; and perception of insufficient information, stigma of failure, and lack of financial support respectively. The significant demographic, personality and perception factors affecting necessity driven entrepreneurs are: age, gender, and education; proactiveness, and risk taking propensity; stigma of failure and lack of financial support respectively. The implication of the result is that individuals who are opportunity driven entrepreneurs were male adults that are literate and risk takers, while individuals who are necessity driven entrepreneurs were young females with low/no education that have high stigma of fear of starting a business due to unavailability of financial support and risk averse in nature. To find lasting solution to unemployment based on the findings, the study recommends that the quality of entrepreneurial business should be improved by the government and policy makers through skills, human capital development that foster entrepreneurial trainings especially for women, and easy access to financial resources.

Table 1: Distribution of the socioeconomic characteristics of the respondents

Variables	Frequency	Percentage n = 150
Age		
20 – 29	38	25.33
30 – 37	52	34.67
38 – 44	38	25.33
45 – above	22	14.67
Sex		
Female	64	42.7
Male	86	57.3
Household size		
1 – 3	49	32.67
4 – 7	63	42.00
≥8	38	25.33
Educational level		
Never attended	8	5.33
Primary	47	31.33
Secondary	68	45.33
Tertiary	27	18.00
Marital Status		
Single	27	18.0
Married	66	44.0
Widowed	43	28.7
Separated	14	9.3
Total	**150**	**100.00**

Source: Field Survey, 2018

Table 2: Probit estimate of factors influencing entrepreneurial engagement of opportunity driven and necessity driven entrepreneurship

	Opportunity Driven			Necessity Driven		
Parameter	**Estimate**	**Std. Error**	**Z**	**Estimate**	**Std. Error**	**Z**
Age (X_1)	-0.033	0.002	21.877***	-0.028	0.002	-18.530***
Gender (X_2)	0.123	0.028	4.459***	0.122	0.029	4.234***
Education (X_3)	-0.004	0.003	-1.402	-0.012	0.003	-4.269***
Proactiveness (X_4)	-0.100	0.022	-4.558***	-0.077	0.023	-3.418***
Competitiveness (X_5)	0.033	0.033	1.014	-0.003	0.034	-0.098
Autonomy (X_6)	0.022	0.034	0.653	-0.025	0.036	-0.683
Innovativeness (X_7)	-0.004	0.015	-0.280	-0.008	0.016	-0.512
Risk-taking propensity (X_8)	0.122	0.029	4.210***	0.083	0.030	2.750**
General self-efficacy (X_9)	0.001	0.022	0.069	0.023	0.022	1.011
Perception of insufficient information(X_{10})	-0.161	0.069	-2.347**	-0.062	0.078	-0.790
Stigma failure (X_{11})	-0.083	0.032	-2.600**	-0.129	0.034	-3.795***
Administrative complexities (X_{12})	0.012	0.021	0.572	0.011	0.022	0.497
Lack of financial support(X_{13})	0.091	0.026	3.478***	0.083	0.029	-2.899***
Intercept	-2.975	0.267	11.160***	-2.940	0.277	-10.619***
Pearson Goodness-of-Fit Test						
Chi-Square	1621.560			1114.529		
Sig	0.000			0.000		
df[a]	128			128		
Pseudo R^2	0.8742			0.6969		

Source: Field survey (2018). ***significant at 1%, **significant at 5%

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