

The Effect of Inflation on Entrepreneurial Development in Akwa Ibom State, Nigeria

By

Chibuogwu Dupe Ejabena

Department of Accountancy, School of Management Studies,
Federal Polytechnic Ukana, Akwa Ibom State Nigeria.
+2348037461362, +2348059001424, greatmercies2016@gmail.com

Abstract

Entrepreneurship has become a widespread feature of the business environment throughout the years. It may favor national economies and is often regarded as one of the critical engines of economic growth and employment creation. Understanding the potential reasons for diversity in entrepreneurial development is thus critical for assisting the government and policymakers in adopting acceptable policies to support the creation and development of new businesses. In recent years, Nigeria's volatile economic reality, characterized by financial crises, has impacted entrepreneurship development. Thus, this paper investigated the effect of inflation on entrepreneurial development among youths in Akwa Ibom State, Nigeria. A convenience sample of three hundred and twenty-two undergraduates pooled from five tertiary institutions in the southeast participated in the study. The study result indicates that the assumption that the inflation would significantly and positively predict entrepreneurial development in Akwa Ibom State was confirmed at $\beta = .169$, $p < .05$. Thus, the R^2 indicated that the increasing inflation in the country contributes about 23.8% variation in entrepreneurial development in Akwa Ibom State, Nigeria. The study has implications for the development of entrepreneurship in Nigeria.

Keywords: Entrepreneurship, entrepreneurial motivation, rising inflation, youths

Background

Inflation and inflation uncertainty are instrumental in determining financial stability and economic growth (Mandeya & Ho, 2021). Inflation is a critical macroeconomic issue that has continued dominating discussions at major economic fora. The Nigerian economy's present reality is that inflation has remained unabated despite all exchange rate measures that the monetary authority has adopted. Inflation is among the significant variables affecting countries' economies (Musarat et al., 2021). The concept of inflation is generally used to depict a decline in purchasing power of a given currency over time. Inflation is one of the most important

macroeconomic variables and the most feared by the economic actors (Inim et al., 2020), including the government, due to its negative influence on the structure of production costs and overall welfare. One intriguing fact about inflation is that it is both the cause and effect of certain government policy actions (Okoye et al., 2019).

The rising trend of inflation in Nigeria and the consequent poverty of the citizens have been very distressing to almost every Nigerian. Accordingly, inflation is perhaps among the fundamental accelerator of poverty and unemployment due to its weakening effect on purchasing power. According to data from the National Bureau of Statistics (NBS), Nigeria's headline inflation rate jumped from 11.98% in December 2019 to 15.75% at the end of 2020. Nevertheless, it skyrocketed to 18.12% in April 2021 before settling at 17.93% in May 2021. Perhaps, the figures represent acceptable official data. However, there are growing concerns that these figures underestimated the inflation situation in the country. Several studies have been conducted on the effect of inflation on economic activities in developing and developed nations. However, studies on its effects on entrepreneurial development, particularly in Nigeria, are scant. This paper examines entrepreneurial development based on inflation.

Entrepreneurship entails starting a business that is profitable and beneficial to society. Learning about entrepreneurship is a lifelong process involving academic and informal education (Adefunke et al., 2020). It is an essential component of the business ecosystem that contributes significantly to economic growth (Bosma et al., 2018; Doran et al., 2018; Galindo-Martín et al., 2020; Hamdan et al., 2020; Huang & Chen, 2021; Ivanović-đukić et al., 2019; Mohammadi Khyareh, 2020; Stoica et al., 2020; Urbano et al., 2019; Zouita, 2021) . Throughout history, entrepreneurship has evolved into a tool to help nations become more prosperous and advance their socioeconomic growth (Muhammad et al., 2020). The creation of jobs and the encouragement of the expansion of micro, small, and medium-sized businesses are likely the primary ways in which it contributes to the expansion and development of the economy. The spirit of entrepreneurship is an opportunity for young people across various economies, a demographic that frequently faces a labor market with unemployment rates in the double digits (Sambo, 2016). Nevertheless, engaging in entrepreneurial activity requires more motivation than other types of work.

Based on the substantial contribution of new ventures to the global economy, it is vital to understand the motivational underpinning of entrepreneurship (Murnieks et al., 2020; Purwana et al., 2018). Entrepreneurial motivation is an essential component of the entrepreneurial environment that has attracted colossal research attention in recent decades (Barba-Sánchez & Atienza-Sahuquillo, 2017; Bartha et al., 2019; Ephrem et al., 2021; Farhangmehr et al., 2016; Hassan et al., 2021; Mahto & McDowell, 2018; Malebana, 2021; Shi & Wang, 2021; Su et al., 2020; Wu & Mao, 2020). The phenomenon describes the process that activates and motivates an individual to exert increased efforts to achieve an entrepreneurial objective. Nevertheless,

entrepreneurial motivation reflects the forces or drive within a person that affects the direction, intensity, and consistency that characterizes entrepreneurship. Perhaps, motivation is a psychological construct that determines an individual's propensity to partake in risk-related ventures.

Evidence suggests that the Nigerian government, working through various agencies, has made a considerable contribution to fostering entrepreneurialism among young people (Omeje et al., 2020). Therefore, due to the increased emphasis placed on entrepreneurship and innovation in Nigeria, many young people in the southeastern region of the country have turned to self-employment and entrepreneurship. However, in recent times their entrepreneurial endeavors have been affected by extreme phenomena such as economic inequality and human capital flight, which in turn hurts the development of entrepreneurialism. In addition, experts have highlighted the multiple issues that constitute substantial barriers to the growth of entrepreneurship in Nigeria (Baba, 2013; Chidiebere et al., 2014; Duru, 2011; Elemure & Adeyeye, 2020; Ezeani, 2018; Kenny, 2019; Metu & Nwokoye, 2019; Odii & Njoku, 2013; Ofili, 2014; Ubogu, 2020). Despite this, the relationship between the sustained increase in inflation and the urge to engage in entrepreneurial activity has not garnered much study attention. Consequently, this provides the reason for the current investigation.

The present study

It is common knowledge that young people in Nigeria, have an entrepreneurial spirit. Despite this, mounting evidence suggests that the proportion of them engaging in entrepreneurial activity has decreased in recent years. Even though entrepreneurial motivation refers to a psychological process, it varies depending on the person's perception levels and the reasons for the motivation. This is because not all of the motives may have the same degree of influence on the process. Thus, inflation, which has been in double digits since 2016, was driven higher by the coronavirus epidemic that has also induced a slump in the price of oil, Nigeria's main export, and weakened the naira currency. Given the low-growth and high-inflation backdrop, there is the possibility that entrepreneurial motivations are negatively affected among entrepreneurs. The primary objective of the present study is to investigate the impact of the rising inflation in Nigeria on the entrepreneurial motivations among the youth in Akwa Ibom State, Nigeria.

Hypothesis: *inflation predicts entrepreneurial development in Akwa Ibom State, Nigeria.*

Method

The present research was conducted in Akwa Ibom State, Nigeria, between January and March 2023. A convenience sample of three hundred and twenty-two ($n = 322$) undergraduates comprising males and females enrolled in different academic disciplines were chosen from different faculties in four public tertiary institutions in the states. The students were approached with the help of research assistants and asked to participate in the study. Those consented and

met the inclusion criteria were briefed on the study's purposes. Also, all ethical considerations were observed. After that, the study instruments were given to them to fill on the spot. A cross-sectional research design was adopted in the study.

Measures

The instrument for data collection in the study was a structured questionnaire. The questionnaire items were developed from the literature review and designed to ascertain relevant data relating to entrepreneurial motivation and perception of rising inflation on a four-point scale. The questionnaire was divided into two parts: A and B. Part A contains questions about entrepreneurial motivation, while Part B contains questions about the perceived effects of inflation. The scale's reliability was ascertained following a pilot study using participants outside the study population, and the Cronbach Alpha 0.89 coefficient was obtained, indicating that the instrument was reliable.

Procedure

Three hundred and fifty copies of the questionnaire were administered to the respondents by the researcher with the help of two research assistants, who were trained to administer and retrieve instruments from the respondents with courtesy. The researcher and research assistants visited the tertiary institutions and obtained authorization from the relevant authorities before the commencement of the study. Overall, 322 of the 350 questionnaires distributed were adequately filled and returned. Unfortunately, the remaining 28 copies of the instruments were either not correctly filled or were not returned. Hence, a total of 322 were used for the analysis.

Result

Table 1: shows a simple linear regression analysis for the predictive effect of inflation on entrepreneurial motivation.

	B	Std. Error	Beta	t	Sig.
(Constant)	1.87	.089		32.34	.000
Inflation	.96	.035	.169	35.071	.000
R^2	23.8				

As presented in the simple linear regression table above, the result indicates that the assumption that the inflation would significantly and positively predict entrepreneurial development in Akwa Ibom State was confirmed at $\beta = .169$, $p < .05$. Thus, the R^2 indicated that the increasing inflation in the country contributes about 23.8% variation in entrepreneurial development in Akwa Ibom State, Nigeria.

Discussion

The current study aimed to examine inflation's predictive role on youths' entrepreneurial development in the Akwa Ibom State, Nigeria. The simple linear regression result found that the increasing inflation in the country significantly predicted the variation in entrepreneurial development among the younger population in the study parameter. Thus, the expectation that rising inflation in the country would substantially predict the variance in entrepreneurial development among the youth in the Akwa Ibom State of Nigeria was confirmed. This indicates that individuals who see new business ventures as being hindered by the persistent rise in inflation and its consequent effect on the nation's economy are likelier to have low entrepreneurial motivation than those who see entrepreneurship as a remedy to the growing effects of the rising inflation in the country. This is because individuals who see entrepreneurship as a remedy to the growing effects of the rising inflation in the country are more likely to see entrepreneurship as a remedy to the growing effects of the rising inflation in the country.

Even though the study's findings indicated that an increase in inflation was a factor in determining what motivates people to start their businesses, there have been contradictions in the relationship between inflation and entrepreneurship. In light of this, a plethora of research implies that an increase in inflation gives an opportunity for entrepreneurial endeavors (Sayed et al., 2014; Vidal-Sué & López-Panisello, 2013). On the other hand, prior research (Arin et al., 2015; Salman, 2014) found that rising inflation in any community could depress entrepreneurial enthusiasm since the business landscape is perceived to be riskier. This was the case regardless of whether or not the culture had a history of inflation. There is a possibility that inflation causes a rise in the costs associated with beginning a new business, which acts as a barrier to entrepreneurial activity. Additionally, increasing inflation rates have a detrimental influence on financing and, as a result, diminish the possibility of individuals starting their businesses (Singh & DeNoble, 2003). As a consequence of this, the relationship between inflation and entrepreneurialism can either be excellent or negative.

Conclusion

The purpose of this study was to investigate the impact that growing inflation has had on the likelihood of young people in Akwa Ibom State, Nigeria, to become self-employed business owners and to validate the hypotheses and present empirical data suggesting that growing inflation is a significant factor that may be responsible for the disparity in the rate of entrepreneurial development in Nigeria. According to the empirical research findings, an increase in inflation is a fundamental macroeconomic indicator that has a significant correlation with the growth of entrepreneurial activity. It would appear that this outcome is consistent with the findings that other empirical investigations have achieved. As a result, we can reach the following conclusion: the precarious state of the economy substantially impacts the dynamics of entrepreneurial motivation. Despite this, the study did not consider several other criteria that might be relevant to determining entrepreneurial motivation. This limitation highlights the necessity of conducting an additional study to investigate other significant factors that inhibit the

entrepreneurial motivation of young people. Furthermore, suppose the intention (necessity vs. opportunity) behind an entrepreneur's actions is considered. In that case, the effects of inflation may have a distinct effect on the outcomes of the business decisions they make.

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