

## **Actualising Sustainable Development through Entrepreneurship: Ethical Implication of Fund Management in Lagos Nigeria**

**Omojuwa Ayodele**  
University of Lagos  
Nigeria

### **Abstract**

*The major concern of governments all over the world be they developed nations or third world countries, is the desire to build up the engine room of development i.e. the work force. A whole lot of efforts are geared towards motivating the business interest in man, to develop the entrepreneurial drive in him and provide a conducive environment for a well-focused industrial growth. The most problem facing Small-Scale enterprises in Lagos state is Funding. Fund plays major roles in achieving the stated objectives, hence; greater efforts must be applied in managing it so as to achieve industrial growth and enhance entrepreneurial development. The objective of this study is to examine the impact of fund management on entrepreneurial development in Lagos state. For the purpose of carrying out the research work effectively and sufficiently, data were collected from selected entrepreneurs in the Small and Medium Scale Enterprises [SME's] in Lagos state as well as lending and financial institutions, and chi-square was used as the statistical instrument for hypothesis. A general survey of the study reveals that the impact of proper fund management practice on entrepreneurial development cannot be over estimated. This research work will also proffer some workable recommendations for proper fund management practices. Finally, other useful information are also highlighted in the project which I hope will be immense help to those researching on similar topics.*

**Keywords:** Retailers, ethics, Entrepreneur, Fund, Enterprises

### **Introduction**

According to "Muhammed Yunnus" successful experiment, it is demonstrated that Micro-Credit is a potent weapon for lifting the very poor out of poverty net. Recently, the Lagos state government through the State Community Development programme (CDF) brings succour to Micro/Small business owners in Lakowe community of Lagos State. And government also injects #350millions in Micro Finance Fund through Micro-Finance banks operating in the state to make fund available to small scale enterprises in Lagos state. The scheme has created a monitoring unit to help investors or entrepreneurs such as raising of funds and way of managing it.

Management is defined by chamber of 20<sup>th</sup> century dictionary as "an act of managing; manner of directing of using anything, skillful treatment. According to Yalokwu (1999) states that management is the process of planning, organizing, leading, staffing, and controlling the efforts of organization members and using all other organizational resources to achieve set goals. Other researchers sees management "as a means of getting things done through people for the maximization of profit and survival of the entity" which agrees with the position of Follet. Fund management with a view of setting the economy on strong financial footing and development of small scale industries in the country was part of areas covered by the study project. It focused on any sector of our daily life, it may be employed e.g. business, government etc, and it also focused on raising funds economically and ensure that the funds raised are used in the most efficient and effective manner.

At the national level, the government has put in place measures to make fund available to entrepreneurs with adequate policies to safeguard the management of such fund such as NERFUND; Bank of Industries (BOI), Small and Medium enterprises Equity Investment Scheme (SMEEIS)etc. At the state level, Lagos state government through bodies like Lagos State Micro-Finance Institution (LASMI), Community Development Programme (CDP) etc.

The major task in entrepreneurial development rest not on fund alone but also on fund management to achieve the United Nations dream of economic development of third world countries.

Nigeria does not have a clear cut National Policy on entrepreneurship. Therefore, the growth and development of entrepreneurs put a halt due to the antithetic attitude of the supporting agencies like banks, financial institutions and other supporting agencies in the absence of policy at the national level.

Non-availability of competent faculty: the faculties selected for giving training to prospective entrepreneur, even if competent and qualified teachers available, they are reluctant to serve in rural and backward areas. Non-conducive environment and constraints in the backward regions has become a major problem for the conduct of entrepreneurial development.

Problems of entrepreneurial development which was not made available for retailers are loans and also lack of management training. Most of the challenges were the result of low business credibility, poor management, inefficiencies and high risk of failure. This makes it difficult for them to raise capital. Taking all these into consideration, this paper focuses on fund management as a major factor for improving entrepreneur development.

In the process of this paper the following research questions were raised and answered:

- i. Is fund management practice prevalent among entrepreneurs in Lagos state above or below expectation?
- ii. What impact does retailers fund management has on entrepreneurial development?
- iii. What are the safeguard measures that can be put in place for proper fund management among retailers in Lagos state?

### ***Historical Background of Entrepreneurship Development in Nigeria***

In Nigeria, even during the colonial era, there were efforts to develop indigenous entrepreneurs. The Nigeria Local Development Bank (NLDB) was formed in 1946 with the basic functions of giving out loans to entrepreneurs. The NLDB was dissolved in 1949 and its functions were transferred to the three regional development boards. The regional board operated for seven years and the federal loans board was established in 1956.

Shortly after independence in 1962, the government established the Yaba Industrial Estate. It serves as a nursery for entrepreneurs. They paid subsidized rents, received free technical and marketing advice from the ministry of industries and learnt from the concentrating.

The emerging entrepreneurs engaged in tailoring, printing, saw-milling, cabinet making, furniture, hotel and catering service and banking. By 1969, four (4) other industries estates (in Ikeja, Iganmu, Apapa, and Ilupeju) had joined, there were about 180 companies in the five (5) industrial estates.

Moreover, more efforts were made by the Nigerian government to stimulate entrepreneur's growth in the country till date; these include:

- i. The establishment of Industrial Development Centers (IDCs) during the 2nd National Development Plan Period (1971-1975).
- ii. Making funds available for the operation of the IDCs during the 3rd National Development Plan Period (1975-1980). During the same period, the federal government established the Small Scale Industrial Credit Scheme (SSICS).
- iii. In the forth (1980-1985), the federal government made fund available for the Small-Scale Industrial Credit Scheme.
- iv. In 1989, the government established the National Directorate of Employment (NDE) and one of its objectives was to promote SME's.
- v. In 1990, the World Bank granted the sum of N270 million to the federal government for the development and rehabilitation of small and medium scale business in Nigeria.
- vi. In 2000, the Central Bank of Nigeria (CBN) directed all commercial banks to set 10% of their pre-tax profit for the purpose of financing SME's in Nigeria. This is meant for the Small and Medium Enterprises Equity Investment Scheme (SMEEIS).
- vii. The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) was established by the SMEDAN Act of 2003 to promote the development of Micro Small and Medium Enterprises (MSME) sector of the Nigeria economy (Akeredolu, 2006).

It is this devious that the Nigerian government has not fold its arms as far as the development of the entrepreneurs traits in its citizen are concerned.

### Research Methodology

The population consists of all the retailers, entrepreneurs, financial institutions, Small and Medium Scale Enterprises (SME's). The sample in this study is made up of at least ninety (90) respondents which represent the whole population.

Division	No of Respondent
Retailers	40
Small and Medium Scale Enterprises	25
Financial Institutions	15
Government Leading Parastatals	10
<b>Total</b>	<b>90</b>

The questionnaire was the major instrument used in collecting necessary data. The questionnaire will be opened with response like YES or NO so as to identify the nature of the fund management on entrepreneurial development. The test- re-test reliability was adopted using Richard Kuderson 21(KR21).The questionnaires were administered and again re administered to the same respondents and the correlation coefficient was 0.89, which means the two results were positively and highly correlated. The major method used in collecting necessary data for this study was through the administration of questionnaires to SME's etc. Personal interview was which was conducted the researcher.

### Method of Data Analysis

The researcher intends to analyze all the data to be collected from union and its subsidiaries using Chi-square distribution. Chi-square will be used to analyze the hypothesis and set of observed frequencies of a sample and correspondent set of expected or theoretical frequency. The following is the formula for calculating chi-square:

$$X^2_{cal} = \sum \frac{(O-E)^2}{E}$$

The hypothesis stated in chapter one will be tested using Chi-square [ $X^2$ ] level of significance.

H<sub>0</sub>: Lack of proper fund management is not a militating factor against entrepreneurial development..

H<sub>1</sub>: Lack of proper fund management is a militating factor against entrepreneurial development.

### Observed Frequency Question

Response	Q1	Q5	Q7	QH	Q13	Row total
Yes	16	20	40	18	41	135
No	34	30	10	32	9	115
<b>Total</b>	<b>SO</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>250</b>

### Test Statistics

$$X^2_{Cal} = \sum \frac{(O-E)^2}{E}$$

**X<sup>2</sup> Cal** = Chi-square calculated

O = It represents the observed frequency

E = It represents the expected frequency

∑ = It represents summation

Expected frequency [E] is the multiplication of row total and column total divided by grand total i.e

$$\text{Expected frequency [E]} = \frac{\text{Row total} \times \text{Total Column}}{\text{Grand total}}$$

Therefore, Row total of Yes = 135 and No = 115 while column total of each question of observed frequency is 50 and grand total is 250

$$E_N = \frac{135 \times 50}{250} = \frac{6750}{250} = 27$$

$$E_N = \frac{115 \times 50}{250} = \frac{5750}{250}$$

$E_N$  represent expected frequency of No

**Table for Chi-Square in Calculated ( $X^2_{cal}$ )**

O	E	O-E	(O - E) <sup>2</sup>	(O-E) <sup>2</sup> /E
16	27	-11	121	4.48
20	27	-7	49	1.82
40	27	13	169	4.23
18	27	-9	81	3.00
41	27	14	196	7.26
34	23	11	121	5.26
30	23	7	49	2.13
10	23	-13	169	7.35
32	23	9	81	3.52
9	23	-14	196	8.52
				$X^2_{cal} = 47.57$

The degree of freedom of Chi-square test of goodness of fit is given as:

$$V - [r-1] [C-1]$$

r - represent row is equal to 5

c = represent column is equal to 2

V = represent degree of freedom is equal to [r - 1] [c - 1]

$$V - [5-1] [2-1]$$

$$V - [4] [1]$$

$$V = 4 \times 1$$

$$V = 4$$

At the 4th degree of freedom and assumed 5% [0.05] level of significant, the chi-square [ $X^2_{tab}$ ] tabulated is given as 9.49

**Research Result**

Reject  $H_0$  if  $X^2_{cal} \geq X^2_{tab}$  and Accept  $H_1$

Accept  $H_0$ , if  $X^2_{cal} \leq X^2_{tab}$  and Reject  $H_1$

From the calculation, the chi-square calculated is greater than the chi-square tabulated  $X^2_{tab}$

**i.e  $X^2_{cal} = 9.49 = X^2_{4, 0.05}$**

Then, it is clear that  $X^2_{cal} > X^2_{tab}$  because  $47.57 \geq 9.49$

Therefore, from the research result which states that reject  $H_0$ , if  $X^2_{cal} > X^2_{tab}$  Accept  $H_1$ .

**Table for Chi-Square in Calculated ( $X^2_{cal}$ )**

O	E	O-E	(O - E) <sup>2</sup>	(O-E) <sup>2</sup> /E
16	27	-11	121	4.48
20	27	-7	49	1.82
40	27	13	169	4.23
18	27	-9	81	3.00
41	27	14	196	7.26
34	23	11	121	5.26
30	23	7	49	2.13
10	23	-13	169	7.35
32	23	9	81	3.52
9	23	-14	196	8.52
				$X^2_{cal} = 47.57$

The degree of freedom of Chi-square test of goodness of fit is given as:

$r$  = represent row is equal to 5

$c$  = represent column is equal to 2

$V$  = represent degree of freedom is equal to  $[r - 1] [c - 1]$

$V = [5 - 1] [2 - 1]$

$V = [4] [1]$

$V = 4 \times 1$

$V = 4$

At the 4th degree of freedom and assumed 5% [0.05] level of significant, the chi-square  $[X^2_{tab}]$  tabulated is given as 9.49

### Research Result

Reject  $H_0$  if  $X^2_{cal} > X^2_{tab}$  and Accept  $H_1$

Accept  $H_0$ , if  $X^2_{cal} < X^2_{tab}$  and Reject  $H_1$

From the calculation, the chi-square calculated is greater than the chi-square tabulated  $X^2_{tab}$

i.e  $X^2_{tab} = 9.49 - X^2_{4, 0.05}$

Then, it is clear that  $X^2_{cal} > X^2_{tab}$  because

$47.57 > 9.49$

Therefore, from the research result which states that reject  $H_0$ , if  $X^2_{cal} > X^2_{tab}$  Accept  $H_1$

Then, we will reject the null hypothesis [ $H_0$ ] and accept the alternative hypothesis [ $H_1$ ] and thus we concluded that "lack of proper fund management is a militating factor against entrepreneurial development".

Then, we will reject the null hypothesis [ $H_0$ ] and accept the alternative hypothesis [ $H_1$ ] and thus we concluded that "lack of proper fund management is a militating factor against entrepreneurial development".

This section of the paper described analysis of the data collected in such a way that each question in the questionnaire is tabulated and represented in simple percentage; the data collected were also interpreted. The testing of hypothesis was carried out and make use of Chi-square as a selected statistical packages to derive the degree of freedom.

Finally, according to the research result  $X^2_{cal}$  is greater than  $X^2_{tab}$  which simply means that  $H_0$  was rejected and  $H_1$  was accepted, which implies that lack of proper fund management is a militating factor against entrepreneurial development. In an attempt made so far on the research study of funds management as a factor for enhancing entrepreneurial development from chapter one to four will be concluded in this chapter. This chapter will include the summary of the whole study and findings, conclusion and recommendations by looking at various ways and manners in which funds can be properly managed.

The study was carried out in order to provide a foundational framework on fund management for the government of Lagos state and to educate the retailers and entrepreneurs in the state and the country at large on pivotal role of fund in the success of any business entity. -This study also discusses the key words of the topic while reviewing different literature on entrepreneurial development in Lagos state between the past thought and current thought on .fund management as a factor for enhancing entrepreneurial development. And it also gives explanation on how data used for the study were generated and analyzed. And finally, the analyzed data been collected was presented and interpreted in which the research result  $X^2_{cal}$  is greater than  $X^2_{tab}$  which simply means that  $H_0$  was rejected and  $H_1$  was accepted which implies that lack of fund management is a militating factor against entrepreneurial development.

### Summary of Findings

The study centered itself round entrepreneurial development in Lagos State. The state found to be well primed for industrial growth that is, if the basic principles of fund management were applied. The contributions of the different tiers of government overtime, to fund management as a basic requisite for entrepreneurial development were critiqued and found to be less than adequate.

During this study, it was found that fund management practices prevalent among entrepreneurs in these states were far from being encouraging; the findings of the research work are;

1. From the responses to question, it could be reasonable argued that the fund management practice prevalent among entrepreneurs studied falls far below the expectation -for instance most entrepreneurs do not draw up annual budgets for the business in enhancing entrepreneurial development.
2. The most planning and business development requirement of keeping were not met by some of the studied respondents. It was found that keeping such adequate records for sales and purchases would have helped to a considerable extent in solving the problems of business collapse predominant in the SME's sector.
3. Performances of the SME's studied could not be adequately carried out because of the problems of lack of budgetary discipline and improperly kept records.
4. Cash flow problem: Drawing largely from the response of the respondents, a striking discovery was the problem of cash flow. Since cash flow accounting is recognized widely as being a most aspect of controlling or monitoring system. From some of the enterprises that kept sufficiently proper books, the cash flow position was found to be less than adequate.
5. Entrepreneurial Development:: The enhancement of entrepreneurial development through the fund management practice in Lagos state was found to be less than development are among others to:
  - i. Enhance employment opportunities.
  - ii. Enhance economic performance and development in the state.
  - iii. Promote further interest in entrepreneurial pursuit.
  - iv. Industrialize the state and generally make them more attractive to investors.

The loan recovery rate granted to -entrepreneurs was found to be abysmally low; with a guarantee of less than 30% repayment which was discovered to be militating factor against availability of loans to SME operators in the states.

Statistical tools were used in analyzing responses from interviewed and sampled respondents and tabular presented of debts was made on secondary source into works of earlier research into the topic.

### ***Conclusions***

From the comparison of the performance of our entrepreneurs and SME's on the micro and macro level with those in the far east (South, Korea, Japan, Singapore, Hong-Kong and Taiwan), it is clear that Nigeria has a long way to go. The need for the techniques of financial management, the need for entrepreneurs to understand and apply the techniques of financial management in the quest to maximize profit and hence the owners wealth need not be over emphasized. To ensure 'that there is proper fund management culture by the entrepreneurs and to ensure that the business for which fund is being provided to be viable is through monitoring unit. It is my conviction that if the little efforts made here, together with the recommendations are reconsidered for enhancing entrepreneurial developments.

### ***Recommendations***

We can look at ways and manners of developing our fund management practices and enhancing entrepreneurial development from various prospective:

- i. Looking at the problems as arising from the internal deficiencies of the entrepreneurs as a group collectively and moving pedestal to suggesting possible solutions.
- ii. Looking at the problems from an all-encompassing view point that takes the economy as a whole.

However, the environment in which the entrepreneur operates in Nigeria is both challenging and rewarding. It is challenging because it is fraught with danger of risks arising from having in the first place; to invest money in entrepreneurship and also the challenge of government regulatory activities which may affect the performance of entrepreneurships adversely.

SME's should be given dynamic leadership and be properly managed in the present economically recessive climate in the country. The following recommendations shall become handy;

- a. Formulation of good credit policies: Entrepreneurs should exercise great care and caution in formulating their credit policies.
- b. Engagement of the service of experts: Entrepreneurs should make it a point of duty to engage the service of trained Accountants and other business experts who will help in formulating sound business policies and draw up financial analysis statement that will aid sound decisions.
- c. Preparation of annual financial statements: all firms should prepare financial statements annually and subject these statements to Ratio and Percentages analysis to effectively and comparative assess performance so as to identify problems before harm is perpetuated.
- d. Cash flow analysis: This is vital importance to the business to ensure its good health.
- e. Information and counseling: The government through the relevance ministries and agencies should promote information dissemination and counseling to entrepreneurs in order to know the existence of various lending agencies.
- f. On-the job training of entrepreneurs: It will be desirable if adequate training in fund management is made available to them, even in their regular working place. Hence, lack of requisite knowledge in fund management is a recipe for lack of entrepreneurial development.

### ***Suggestions for Further Studies***

For further studies, the researcher should be able to make some adjustments in the length of the questionnaire because many respondents complained about the length of the questionnaire in which they were unable to supplied all the answers to the questionnaire, they were unable to state the objective of the business, worth of the business etc.

Some respondents refused to give some details about their business they thought they are not secured. In case of further studies the researcher should be able to convince them better on how secured their responses/answer are, which are not going to be disclosed to a third party.

Finally, the researcher should be time conscious in order to get the accurate and detailed information needed for this researcher work.

Because this research work consumed a lot of time in order to carry out the study.

### ***References***

- Akinsilure, Oye (2005). *Financial Management* (3rd Edition), El Toda Venture Ltd, Lagos.
- Cole, G. A. (1996). *Management Theory and Practice* (2nd Edition). D. P. Publication, London.
- Hisrich, R. D. & Peter (2002). *Entrepreneurship* (4th Edition), Cedar- Publication, He -Ife.
- ICAN Business Communication and Research Methodology, Paper 15, VI Publishing Ltd, Nigeria.
- J. U. Nwagugo & S. I. Anumu (2003). *Introduction to Research Method* (1st Edition), Ikofa Press Ltd, Lagos.
- MattewEjikeIhekwoaba, *Entrepreneurship in Vocational Technical Education* (New Edition), Mukugamu and Brothers Enterprises, Lagos.
- Obasan, K. A. (2005). *Entrepreneurship Theory and Practice* (1st Edition), Gratia Associates international, Ijebu Ode.
- Onuoha B. C. (1994). *Entrepreneurial Development in Nigeria*; (1st Edition), Avan Global, Lagos.
- Oyesiku O. & Omitogun (1999). *Entrepreneur for Social and Management Science* (1st Edition)..Higher Education Publisher, Lagos, Nigeria.
- Schumpeter, J. A. (1996). *The theory of Economic Development* (61 Edition), Transaction Publisher, London.
- Internet
- Small and Medium Scale Enterprises and funding in Nigeria.  
[www.Nigeriabusinessinfo.com](http://www.Nigeriabusinessinfo.com)
- Small and Medium Enterprises Development Agency of Nigeria [SMEDAN];  
[www.cenbank./microcredit/rofiles.as](http://www.cenbank./microcredit/rofiles.as)
- Institution of Small Business Management and Entrepreneurship