

Article

Entrepreneur Motivation and Sources of Financing

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Abstract: The paper is to examine the influence of business innovation, business expansion, product and service development, working capital, machinery and equipment requirement on financing choices in the western part of Nigeria. To determine the effect on financing choices a logistic regression analysis was used. The results in an impressive manner indicate that entrepreneur, essentially with working capital (WC), machinery and equipment (ME) requirement and business innovation (BI) used internal funding sources while business expansion (BE) and product and service development (PS) lean toward external funding sources and the more established and larger firm utilizes debt financing. The approach and the experiential findings offer an unprecedented degree of investigation from an academic point of view through the previous study on Nigeria entrepreneur. Similarly, the experimental results will strengthen the entrepreneur's knowledge, awareness and perception. Through the capabilities of the entrepreneurs, they can prepare and adapt in accordance with the business condition they conduct business and to help them in their choice procedure regarding the capital structure of their organization in the midst of an interval when the fuss of entrepreneur funding is gradually elicited in the Nigerian climate.

Keywords: Business innovation; working capital, financing choices; Nigeria; Entrepreneur; resource based view; motivation, machinery and equipment

1. Introduction

Choice is an antecedent to motivate. Entrepreneurial motivation and innovation is a response to an indecisive decision to create new values that accumulate in sustainable advantages and successful results. The heart of entrepreneurship is the choice of either acting or not [1]. Entrepreneurial innovation are associated with any positive quality that encourages an entrepreneur to put into practice his personal idea [2, 3]. Researchers, Holland and Garrett [1], Grilli [4], have therefore made a great deal of effort to try to understand the fundamental factors that influence such decision-making by entrepreneurs.

Researchers explain the motivation of entrepreneurs with different internal and external environments from different angles [5]. Study on entrepreneurial firms' choice of financing focuses primarily on the identification of financing choices and the strengths and weaknesses of each financing option [5-8]. The decision-making behaviour of entrepreneurial companies may however be influenced by various financing choices [5, 9]. A resource-based view (RVB) implies that resource choice and accretion are both an aspect of internal decision-making as well as external strategies. Corporate management decisions are guided by economic rationality and efficiency, efficiency and profitability [10]. In other words, any business idea requires resources to become a reality and the financing of this need to become a key decision of managers.

Such research factors are based mainly on foreign businesses, but Nigeria's businesses in domestic and external environments are quite different from their foreign counterparts. While research studies in developed nations have made a significant contribution to the motivation literature, their experimental results may not be transferable to other countries given the differences in socioeconomic, legal and economic environments (Fatoki and Rugani, 2015). Block and Wagner

[11] have no significant relationship between entrepreneurial motivations and corporate success, while van der Zwan, Thurik [12], for example, have a strong positive correlation between entrepreneurship motivations and corporate performance. Sapienza, Korsgaard [13], also reviewed the fact that the motivation for self-determination and the maximization of wealth motivates entrepreneurs to choose funding from the Agency and decision-making theories. Although these theories are particularly relevant to the SME and business sector, especially agency and asymmetric information, the contextual relevance of a number of models tested is rather weak and it has been shown that these theories developed in the field of corporate finance are not entirely relevant to the financing of entrepreneurs [7, 14].

According to Mejía, Laverde [15] the motivations of the entrepreneur are not always clear and precise and have sometimes been called into question. In addition, entrepreneurship theorists have argued that operating capital maximizing the explanation of financing decisions in small and medium-sized or new firms is inadequate [13]. It has been established that some of the personal motivations of the entrepreneur are related to the creation of wealth and self-determination [5, 6, 13], which in this study can be classified as (a) business innovation that is a desire for independence or autonomy, since the individual has greater freedom of action, creating a business, (b) working capital is about being in control. From an economic point of view, however, the creation of a business may be motivated by the existence of a market opportunity, which implies a certain degree of innovation, or by the need for an entrepreneur to generate income.

In a certain context, the economic importance of an entrepreneur's motivation lies in the direct relationship that exists between the increase in the number of opportunities-driven entrepreneurs and the increase in national income [15-17]. Similarly, in countries with a low level of national income, an association with a higher number of needs-driven entrepreneurs has been identified. This study significantly, focuses on the motivation of opportunity and necessity, since most of the income generated by self-employment provides subsistence and does not generate wealth, as is the case with opportunity-driven entrepreneurship. This distinction is essential in order to increase the understanding of this phenomenon in Nigeria. The results of this study will contribute to identify factors that can boost productivity and reduce the high failure rates of small and medium-sized enterprises in Nigeria. Likewise, it will contribute to understanding how the drive of entrepreneurial firms to self-determination leads to wealth creation in order to explain financing choices. The remainder of this article was structured as follows: Section 2 theory and development of hypotheses. Section 3 sets out the scope and methodology of research. The results are analyzed in Section 4. In Section 5 Discussion of Results, Section 6 concludes the paper.

2. Literature Review

2.1. *The Nigeria Entrepreneur*

During this investigation, the terms entrepreneurial and small and medium-sized businesses, as the phrases entrepreneur and small business owner are utilized conversely. According to Eniola and Entebang [7], SMEs and entrepreneurs have been used in many occurrences accordingly, each one being equally applied. SMEs in Nigeria may in an indirect way reflect the current success in business motivation in the region. The term "entrepreneur and SME owners" in this analysis used a motivated individual as a typical word to decide decisions on funding in emerging businesses. According to Schumpeter [18], Teece [19], Baumol [20], an entrepreneur has been identified as an innovator, creator, locator, and risk-taker through the leadership exercise. In this context entrepreneur is described as the maker of something new and creativity in the economy of today. Many researchers link the entrepreneur to different features and activities, such as creativity, risk-taking, development and growth of small and medium businesses. Hence, it is succinct to say that entrepreneurs should have exceptional skills with a fixation on entrepreneurial results through decision-making rather than processing.

The developed country like the U.S. started transitioning from a "managed" economy to an "entrepreneurial" economy in the mid-1970s, sustaining economic prosperity for the next twenty

years, which shows that entrepreneurial practices play a significant role in fostering the industrial development of a nation. The development of entrepreneurial enterprises has a positive effect on the transition and steady growth of Nigeria's economy, given the fact that Nigeria is in a crucial transition period. An entrepreneurial company is a company engaged in a new business and is experiencing the business process of founding, developing and maturing [5, 21]. Entrepreneurial firms' growth, sustainability and creation are inseparable from adequate financial support. Research on the motivation of an entrepreneur and the choice of financing is therefore crucial to solving the problem of the financing of an entrepreneurial firm.

In developing countries, the growing interest in entrepreneurialism mainly reflects the possible contributions of such practices to economic, employment opportunities [22, 23]. The firm's resource-based view (RBV) implies that competitive advantage is derived from the capital and a variety of resources that are better than those of its competitors. Studies have shown that Nigeria consists of a huge number of SMEs that offer the legal age of the population the most job opportunities. Such operations are the basis of a huge informal economy in Nigeria, an oil-rich sub-Saharan African country with a population of 200 million. Nigeria, with nearly 200 million individuals is one of the most populous countries in Africa, and is likewise the nation with the biggest populace in Africa and the seventh biggest populace on the planet. Likewise, Nigeria is the largest oil exporter in Africa with 94.1% of total exports and generates around 90% of its revenue [24, 25]. The heavy reliance on oil resources have led to multiple challenges. The unemployment rate as at September 2018 stood at 23.1% in spite of the fact that the country boast of youthful population comprising 53.2% of the youth aged between 15-65 of the country [25, 26]. Despite the enormous investment in this sector of the economy by the Nigerian Government, no significant development has taken place [27]. Instead, the recent improvements of Nigeria's economy have been powered by entrepreneurs and SMEs in the services sectors that have grown exponentially, as in many other middle-income countries.

The Nigerian business ownership trend dates back to pre and postcolonial periods [28]. Owners of SMEs were mainly involved in business exercises like retail and wholesale trading, weaving, fisheries, food processing and farming during this period. According to Nwankwo and Ibeh [28], the postcolonial economic downturn, the absence to formal schooling and a prevailing labour market, conventional ideas of the male as pan-winner / family provider and the socialization of young ladies into home life further exacerbated this phenomenon. Therefore, such assumptions have helped make women least noticeable in the formal economy and could particularly poorly reflect their role in the informal sector.

Over the past decade, the Nigerian industrial sector has become controlled by small and medium-sized firms, most of which operate in the southern part of Nigeria in terms of manufacturing units. The heartlands are two states, Lagos-Otigba-SME Clusters in Lagos state and Nnewi-SME Clusters in Anambra state; SMEs operate in the ICT and automotive manufacturing sectors, respectively [29]. The involvement of ICT and the manufacture of automobiles in SMEs in the Nigeria economy are significantly positive. According to Ekesiobi, Kalu [29], Chete, Adeoti [30], the Nnewi Automotive Parts Industrial Cluster is a huge success story in Nigeria, such as Innoson Group, and it is a very good example of how an informal cluster can hold and succeed without the financial support of the government in providing essential public service programs. Local job-creating traders became automotive parts manufacturers through close ties with engineering suppliers in Asian country, Taiwan. The greater part of these organizations is capable of designing products and adapting the production procedure to the nearby market. This manufacturing cluster markets automotive components to sub-areas and other foreign markets in West African countries. Incorporate dynamic cooperation of private industry affiliations, marked by investment readiness, willingness to adapt and integrate international technologies, robust innovation, and competitiveness are the most critical achievement indicators. Most importantly, the Nnewi cluster made an ongoing effort to give the needful infrastructural bolster when the state neglected to act in this way, and firms are thriving, surviving and expand notwithstanding significant infrastructure and financial restrictions.

The Otigba SME ICT raceme is a development recorded with some 392 SMEs employing more than 3,000 workers increasing the cluster to meet regional West African market demand [30, 31]. Cluster development characterizes substantial inter-company cooperation and joint activity. A significant element of the workforce's relatively high educational level appears to be in this cluster. The fact that many of the skilled workers have connections with each other going back to their school or college has resulted in a high level of business interest among the firms in the desire to provide supplier credits among the cluster firms, including know-how sharing and joint warehousing. These sectors are considered an added value and an intensive high level of knowledge.

Regardless of this development, entrepreneurial undertaking in Nigeria have regularly been slowed down by high paces of firm failure, the complete absence of continuous government policies and implementation, limited productivity, and access to financing [31]. It is obvious that entrepreneur is an important component, with the potential to make a significant contribution to the Nigeria economic activities. In addition, given the specific circumstances mentioned above, it may be argued that the funding decision is one of those guiding behaviours as a requirement for entrepreneurial characteristics and external support. Therefore, this study goes some way through RBV perspective to tackle this research gap by exploring the factors motivating SME firm choice of funding sources in the Nigerian settings.

2.2. Entrepreneur Motivation and Sources of Financing

The resource-based view (RBV) theory suggests that there are boundless wellsprings of market opportunity. It is important to oversee progress by leveraging corporate capital to recognize and take advantage of the next growth opportunity. The RBV indicates that entrepreneur creativity are limited as a results of the lack of financing, human, firm resources and capability [10, 32, 33]. Finance has been seen since Schumpeter's study as an important part of the entrepreneurship cycle [27, 34-36]. Using a resource theory, Eisenhardt and Martin [37] demonstrated the importance of SMEs ' decision on financial capital. In like manner, Cortina, Didier [38], Grant [39], Piesse and Thirtle [40] use resource-based graphics to potentially show that an organization with a high degree of long-term finance is more effective possibly than those with a low degree of long-term financing. The source of financial capital to purchase fixed and current assets is important in keeping up and maintaining the competitive advantage of a company. Williamson [41], Nylund, Arimany-Serrat [42] suggested that both dimensions of an organization should be closely connected to each other. Owusu, Ismail [43], Nason and Wiklund [44], Chandler [45], Chandler [46] applies the resource-based approach for results on the expansion of the business complemented Penrose theorem. His research is largely focused on global initiatives; he develops new organizational frameworks to control expansion and how tactical change finishes with institutional progress. The decision to finance was considered a significant component in small and medium-sized enterprises (SMEs) success and development.

The decision on finance and accessibility linked strongly and positively to the dynamism and creativity in entrepreneurship. Moreover, the existing firms to leverage the opportunities for growth and innovation and to achieve greater stability are motivated by financing. Companies can also securely attain a progressively proficient, productive asset portfolio with financing infrastructure and are also able to select increasingly productive organization systems such as incorporation [47]. The remoteness of financial means is a significant hindrance to SMEs ' advancement, not least as it hinders them from purchasing new technologies which would make them more competitive and increasingly industrious. In a panel analysis of Irish companies, Hewitt-Dundas [33] established that absence of wellspring of finance constitutes a significant limitation in the firm development exercises. Moreover, Wiklund and Shepherd [48] claimed that financial decision-making is a significant asset for corporate success and quantitative research has shown that small businesses have a better performance as affected by the financial facilities externally that are open to enterprises. In growing and financing new entrepreneurial activities, a company's utilize both debt and equity financial resources to produce income and furthermore give

insurance. Hence, new innovation often requires workers' technical expertise, whereas the expected cash flow (source of financing) is a part of the small and medium-sized companies, where owners, managers and employees could and should use this to create the company and grow it.

With the growth of the company, the features of SMEs will evolve and this affects the funding sources readily accessible to the entrepreneur. The sustainability of every organization depends primarily on the willingness of SME owners to handle working capital components effectively [49]. The working capital of the organization is a daily activity that guarantees the company has enough resources to continue activities, which are linked to the firm acquiring and disbursing capital [50]. In doing so, the organization will classify its funding options to suit its needs. The higher concentrations of operating capital allow companies to increase sales and early payment discounts and thus to increase the value of the company. Chen and Chen [51] concluded that a company needs more working capital in terms of external debt if it is to grow faster. Keasey and Watson [52] expressed the view that short-term financing remains the simplest way of financing short-term needs, especially where there is an imbalance between assets and accounts.

Studies Baños-Caballero, García-Teruel [53], investigating the impact of working capital requirement funding on corporate performance identified a literature search. Costs and benefits are associated with every financing source. The way working capital is financed thus affects an organization's performance. Several previous empirical studies support the argument that working capital has a significant impact on corporate performance. Vishnani and Shah [54] examined the effect on the competitiveness of the Indian Consumer Electronics industry of working capital policies and practices and indicated that companies need to balance liquidity and profitability to improve their performance. Al-Shubiri [55] has identified an active working capital development strategy and corporate performance in the 59 industrial companies in Jordan to examine the effects of working capital management policies. Another recent study by Bei and Wijewardana [56] showed that the operating capital policy has a major impact on Sri Lankan companies' corporate performance. The analysis of Altaf and Ahmad [57], Altaf and Shah [58] proposed the link between working capital funding and corporate performance. Moreover, study found that companies that are likely to be less financially restricted can finance more working capital with short-term debt. Nonetheless, in Nigeria, Raji, Adebayo [59] analysed the effect of working capital on firms' results, the findings indicate that there is no significant relationship between working capital and firms'. While on the opposite, Baños-Caballero, García-Teruel [53], in a research carried among the SMEs in Spain found that suitable financing approach will help firms improve their performance.

The equipment acquisition phase was finalized as the entrepreneur purchased a particular manufactured and machine type from the supplier and this purchase process requires a variety of funding choices [60, 61]. Most small and medium businesses, regardless of economic and market conditions, the equipment acquisition financing in applying the right financing options offers significant benefits while mitigating risks [61]. The business requires equipment to function, from machines to furniture to fleet vehicles, but it clearly does not have many financing choices. Apart from internal cash reserves or loans, organizations keen on purchasing assets need financing decisions in their investment spending. Most financial organizations, from commercial banks to more specialist commercial financing companies around the nation, offer a range of options to purchase machinery. The aim is to decide which solution is better tailored to your desires and your financial framework, and the SME-entrepreneur will identify the right options and assess the likelihood of funding decision-making [7, 9, 22]. The purchasing and upkeep of equipment can retain a huge part of the assets of an organization and can affect income [62]. Hence, the performance of the business is a component of project progress and equipment acquisition has an effect on the cash flow and profitability of the organization owing to the high costs of ownership.

The relationship between the financing sources and the motivation for expansion of new business establishment has been studied by different authors, who note that the participation of entrepreneurship and investors in the business capital improves its opportunities for development and result in firm expansion [63, 64]. According to Wille, Hoffer [65], SMEs likewise depends intensely on financing from the traditional financial services industry as a source of financing for both beginning up and progressing operations. The authors believe that debt financing will in

general be utilized for increasingly conventional capital formation, while equity financing will in general be utilized for innovation, since ideas cannot for the most part be utilized as collateral. Hence, it can be deduced that the expansion of SME business is supported by well-functioning debt and equity financing. The entrepreneur which disposes of higher levels of the source of financing carry out processes of professionalization of directors more quickly, reach the market more quickly, generate more employment [66], and register more patents than business establishment which do not obtain this type of financing [64, 66] .

According to Mansor, Siti [67], SMEs need financing to motivate them to invest in new product and service development. However, because of their comparatively limited scale, small and medium-sized companies lack sufficient financial capital to support their expansion in product and service production. Debt funding is unlikely to be offered to small to medium-sized businesses with insufficient resources, irrespective of their ability to accept it. This motivates the SMEs to make do with internal financing in promoting product and service development. The authors like Altman, Sabato [68] view SMEs as exceptionally reliant on extraneous funding in promoting product and service development, and a debt financing is typically the fundamental wellspring of financing accessible. SMEs manufacture transitional and definitive consumer products that are required for large corporations and the economic process in general. To innovate and develop products and services is no easy feat, especially for SMEs, as the product and service development process itself is associated with several risks such as financing decision. Small enterprises need to ensure optimal new product efficiency, particularly in view of the strong connection between new product success and company health [48, 69].

Business innovation is the product of a dynamic mechanism which includes numerous stakeholders at different stages of the creation of a business product. Financing sources offer resources to facilitate the turn of innovative concepts into large-scale business operations, thus connecting the different actors that make this procedure happen through risk sharing and incentive sharing. Several wills, however, develop into extremely profitable projects, but for others, the result will be less profitable, in certain situations resulting in total failure. A market innovative enterprise's net cash flow at the seed and start-up phases is negative until it is positive [70]. A significant number of the conventional funding methods are not entirely tailored to innovative businesses. Considering the adverse cash flow and default high risk in the early stages of expansion, debt funding is not suitable for businesses that are creative, because the funding sources needed are those without assured repayment. Mahmood and Mohd Rosli [3], Hurley and Hult [71] say that innovation influences the sustainability of businesses. Be that as it may, vulnerability related with the achievement accomplished through interests in innovation can likewise make vulnerability in regards to access to external financing. Internal financing sources for research and development according to Czarnitzki and Hottenrott [72], are progressively significant than ordinary investment for business innovation. Levitas and Ann McFadyen [73], Aghion, Hemous [74] contend that under-investment firms are more averse to put resources into business innovation since they are liable to macro-economic shocks in the long run. In general, however, businesses tend to have certain preferences for the funding strategies, according to Cincera and Santos [70], where debt is preferred to equity, since the loss of control risk is less. Although several studies have shown that decisions and limitations on finance have restricted innovation and advancement among small and medium sized enterprises [75, 76]. Vaitkevicius [77] stated that small and medium-sized enterprises that develop innovative ideas and invest in research and development utilised more of debt finance than equity finance. Entrepreneurs are strongly involved in the prospect of securing external financing and recognize the different resources available to them.

H1. There is a significant relationship between operating capital and funding choices

H2. There is a significant relationship between acquiring equipment and the financing choices

H3. There is a significant relationship between business expansion and the financing choices

H4. There is a significant relationship between product and service development and the financing choices

H5. There is a significant relationship between business innovation and the financing choices

3. Methodology

3.1. Data

SMEDAN/NBS [78] provided that SMEs constitute 44,182 of 17.28 million operating in Nigeria, in which 7,474 SMEs situated in the South-West as the population. Thus, the study was carried out among 7,474 SMEs in the South-West geopolitical zone with the adopted questionnaire survey methodology. Using stratified random sampling techniques, 613 samples were selected. Out of 613 questionnaires distributed to the entrepreneurs, 504 or 85.6 per cent were retrieved in which 298 respondents are males while 206 are females.

The study looks at enterprises that stated business from scratch and in existence for up to five years. Specific participants in our sample are business owners who have taken the path to entrepreneurship in one of the three ways: by beginning a new enterprise from scratch, on their own or by partnerships, by inheritance and in this manner taking the decision to keep developing it, and by buying an existing business.

Such selected enterprises/entrepreneurs represent different types of ownership, viz., Individual ownership, Partnership, Family Ownership, and Limited Liability; conducted fewer than five sectors (Trade and Commerce, Agriculture, ICT, Manufacturing, and Service). In order to evaluate the reliability of dependent and independent variables, a pilot test involving fifty SME owners was performed. These sectors were seen as sectors where entrepreneur are economically active. The data preparation processes involve the data entry into a database, data filtering and finding any missing responses.

The logistic method was utilised to evaluate the survey results [9]. Logistic regression is considered worthy of this work because of the binary/dichotomous nature of the dependent variable (source of financing), which can have either of two outcomes; 1 (equity) or 0 (debt). In logistic regression, the use of the conditional statistic is considered not as accurate as the likelihood ratio test, but more so than the third possible criterion, the Wald tests [79]. Hence, the study applies likelihood ratio test through Statistical Package for Social Sciences (SPSS) version 24. A dependent variable is described by many non-biased variables in the logistic regression analysis. For fact, the regression model allowed one to consider the changes in the dependent variable when one of the exogenous variables is altered, just though the other independent variables are constant.

3.2 Measurement

The issue of the motivations for selecting an alternative source of finance is still widely discussed from both theoretical and scientific viewpoints, with not a single convincing arrangement yet to be found [6, 9]. The value generated by separate acquisitions was noticed by Kochhar [80] is directly proportional to the amount of debt usage. The variable quantity is defined by a variation in the quantitative equity to debt ratio that is used as a portion of the capital structure from time to time. This value interpretation is consistent with Mac an Bhaird [81], which states that a resources endogenously decides a value. In addition, utilizing the measure of both debt and equity is viewed as suitable, as the strategic goal of the majority of SME owners is to increase the amount of debt and equity employed as a proportion of the capital structure. Enterprises with improved results and growth opportunities possibilities could expand their utilization of both debt and equity. The maximum and widely used construct of entrepreneur motivation are sourced from Baños-Caballero, García-Teruel [53], Keasey and Watson [52], for the working capital, [60, 61] for machinery and equipment requirement, [63, 64] for business expansion, Mansor, Siti [67], for product and service development, Mahmood and Mohd Rosli [3], Hurley and Hult [71], Vaitkevicius [77] for the business innovation.

4. Results

The demographic profile of the respondents is identified. Out of the survey, 298 respondents were male, while 206 were female. A chi-value of $\Delta^2=16.794$, $df=1$, $p<0.001$ was recorded from a goodness of fit test with regard to gender proportion. This means that the gender proportions in the sample as drawn varied greatly from the demographic proportions set at 50%, the same proportion

of male and female as predicted in the demographic. Care would be taken to continue and generalize the results of the analysis, in particular for those whose gender may be a predictor.

4.1. Descriptive Statistics

Innovative qualities are identified with any constructive attribute that propels an entrepreneur to bring his own thought into action and draws a differentiation between positive and negative traits [2]. Accordingly, positive motivational traits include the perceptual experience of market opportunities for a product or service and the desire to earn money. Decisions to do or not act benefit from an evaluation of the likelihood and discretionary importance given to particular consequences of the act. When a positive conclusion is made, a decision is generally taken to take action. The argument is true as the choice of the SME managers to receive external funding depends on the intent and the requirements to be met. Thus, the research strived to know what motivate the respondents to seek for financing of their businesses. Mean and standard deviation among the observed variables are described in Table 1.

Table 1. Motivation for Sources of Financing.

Motivation for sources of financing (%)	Yes	No
Operating capital requirements	75.0	25.0
Acquiring equipment's	47.0	53.0
Expansion of the firm	29.0	71.0
Product and service development	28.7	71.3
Business innovation	35.1	64.9
Any other purpose	26.3	73.7

As shown in Table 1, most entrepreneurs were motivated to look for capital due to the demand to meet the needs for operating capital requirements. For the entrepreneur that registered their businesses as required by regulation and statute, these could have contained venture capital likewise capitalization. The matter of acquiring equipment as an indication to seek for funding was a loaded one with (47.0%) of the respondents responded in the positive and (53.0%) in the negative. The majority of the respondents did not opine that expansion, product and service development and business innovation could have motivated them to seek for financing. This may be a consideration for young and expanding SMEs. Nevertheless, for a well-established SMEs, the issue of seeking for financing may be for new innovation development, equipment replacement due to tire out and tear, establishing value added capacity or new product evolution.

As examined, the financing trend in the literature should reflect the principle of the company's resource-based view. Essentially, as the company expands and starts to gain income, external equity funding may be used. If sustainability and stability are accomplished by the business, bank loans may be an option [82]. In this concept, bank funding, like overdrafts, was primarily used for funding process.

Table 2. Motivation on Financing Sources.

Extent of Influence of Motivation	NS %	SS %	MS %	GS %	GSX %	Mean	Std Deviation
Operating capital requirements	4.0	1.8	17.5	57.7	19.0	3.86	0.881
Acquiring equipment's	3.0	6.9	27.4	55.4	7.3	3.57	0.843
Expansion of the firm	10.9	6.9	14.1	48.8	19.2	3.59	1.193
Product and service development	4.0	7.9	15.9	50.4	21.8	3.78	1.003
Business innovation	6.0	6.9	16.9	48.6	21.6	3.73	1.062

NS: No Significance; SS: Small Significance; MS: Moderate Significance; GS: Great Significance; GSX: Greatest Significance; SD: Standard Deviation

From Table 2, it is obvious that all the respondents opined and believed that motivational factors considered to determine the sources of financing was on the great significant level. The respondent also believed that production of product and services development (21.8%) and business innovation (21.6%) were of the greatest significant extent of determining sources of financing respectively. Furthermore, Table 2 above ensures in average values that working capital will have as much leverage as possible on companies accessing financial resources with a high average value of 3.86. The lower normal deviation of 0.881 also showed a high clustering around the average. It means that the respondents agree similarly on the productivity as a key factor in deciding the source of entrepreneurial funding for operating capital. These observations square measure logical with the observations of [52], that keep The value of short-term funding, particularly in situations where there was a disparity in funds and deposits, as the fastest form of financing short-term needs. Determined by the number of years in which most small and medium-sized companies have been working for over five years, the potential to grow and expand is greatly limited and has matured. At this point, its financial requirements should be mainly working resources to fund its cash flows and that contribute to its funding arrangement with the provider of goods and services and personnel.

4.2. Regression Analysis

Table 3 Test of Multicollinearity for Motivation

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.677	.145		4.656	.000		
	Working capital /operating capital	.067	.044	.074	1.520	.129	.674	1.484
	Machinery and equipment requirement	.183	.041	.210	4.415	.000	.705	1.418
	Business expansion	-.340	.034	-.472	-10.054	.000	.721	1.387
	Product and service development	-.135	.037	-.161	-3.616	.000	.801	1.249
	Process innovation	.133	.041	.154	3.222	.001	.698	1.432

The regression model allowed researchers to explain how the sources of funding change as all of the firm's different variables differ. A multicollinearity check was performed before using the model to see whether the independent variables were associated with each other. The VIF and tolerance statistics (See Table.3) revealed no collinearity because the VIF figures were both well below 10 and the tolerance numbers just above 0.2. This could thus be confidently inferred that the data showed no collinearity.

Table 4. Logistic Regression Output for Motivation.

Case Processing Summary		
Unweighted Cases ^a	N	Per cent

Selected Cases	Included in Analysis	504	100.0
	Missing Cases	0	00.0
	Total	504	100.0
Unselected Cases		0	00.0
Total		504	100.0

a. If weight is in effect, see classification table for the total number of cases

Dependent Variable Encoding	
Original Value	Internal Value
Debt Financing	0
Equity Financing	1

Omnibus Test of Model Coefficients				
		Chi-square	df	Sig.
Step 1	Step	125.559	5	0.000
	Block	125.559	5	0.000
	Model	125.559	5	0.000

Model Summary and Hosmer and Lemeshow Test

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square	Chi-square	df	Sig.
1	570.266 ^a	0.221	0.295	9.810	6	0.133

a. Estimation terminated at iteration number 6 because parameter estimates changed by less than .001.

Classification Table^a

Observed		Predicted		Percentage Correct
		Sources of financing Debt Financing	Equity Financing	
Step 1	Sources of financing	233	38	86.0
	Debt Financing	135	98	42.1
Overall Percentage				65.7

The cut value is .500

The variable estimation correlation check showed that the complete model was statistically important relative to the constant only model, $\Delta 2$ (df = 5, N = 504) = 125,559, $p < 0.000$. In the study, 86.0% of entrepreneurs use debt as a financing sources and 42.1% use equity as means of company performance respectively, with an overall performance rate of 65.7%. Founded on the basis of Nagelkerke R^2 , that gives a proof of the amount of variance in the dependent variable described by the experiment from a minimum value of 0 to a limit of approximately 1 [83]. There is a weak association of 29.5 per cent between indicators and the expectation, however, it is the standard in logistic regression using Nagelkerke's R^2 of 0.295 [6, 9, 84] (see Table.4). A Hosmer-Lemeshow (H – L) test, which yielded a χ^2 (6) = 9.810 and a statistically insignificant value of ($p = 0.133$), was used for the inferential goodness of fit measure. (Pallant, 2013) suggesting that the model corresponds well to the results. The poor fit is found to be relevant meaning less than 0.05 for the Hosmer-Lemeshow test and, thus, the meaning of the model will be more than 0.05 to support this [83], suggesting that the model corresponds well to the results. In this manner, failure to refute the null hypothesis that there is no difference between the observed and predicted values (see Table.4).

Table 5. Logistic Regression of Effects of Motivation) on the Choice of Sources of SME Financing.

Predictors	B	Wald χ^2	P value	Odds Ratio	Decision
WC	0.747	5.885	0.015	2.112	Supported
ME	0.949	16.298	0.000	2.582	Supported
BE	-2.232	43.950	0.000	0.107	Supported
PS	-0.681	11.653	0.001	0.506	Supported
BI	0.687	9.992	0.002	1.988	Supported
Constant	1.185	2.421	0.120	3.271	

Table 5: shows the logistic regression coefficient, Wald test and odds ratio/ Exp (B) for each of the predictors of working capital /operating capital (WC) ($p=0.015$); machinery and equipment requirement (ME) ($p=0.000$); Business expansion (BE) ($p=0.000$), Product and service development (PS) ($p=0.001$) and Business innovation (BI) ($p=0.002$) using a 0.05 criterion of statistical significance, Wald is to take the significance values and if less than criterion, the null hypothesis is rejected as all the variables do make a significant contribution.

The odds ratio for the WC (2.112) shows that the entrepreneur was more likely to make use of internal than external resources in attaining success and performance. The implication is that the motivation and success of any business dominantly rely on the potential of entrepreneurs to efficiently manage components of its working capital. It is observed that most entrepreneurs want to be in command, lowering capital cost and operating risk. This result affirms that the most entrepreneur motivation stems from the desire of sources of income. It is in line with the descriptive analysis that indicated a high clustering around the mean of the dispersion. This implies that entrepreneurs agreed closely about the effectiveness of the working capital as a focal motivator in determining the source of the business finance. Moreover, it tends to be reasoned that their ability to expand and to grow is greatly limited and that they have matured since the number of years in which most entrepreneurs have been operating for over 5 years. In this respect, the required capital will fundamentally be working capital to back cash flows and possibly lead into a funding agreement with provider of goods and services and personnel. However, the remaining entrepreneurs who are motivated by opportunity rather than necessity make use of debts as working or operating capital generally have sustained advantage and provide an entrepreneur with a greater mental ability to expand the business, improve on the product and services and make a decision that would bring successful outcomes and impact positively because higher operating capital levels allow firms to increase their sales and obtain greater discounts for early payments and, hence, may increase firms' value. As the firm develops and starts to get revenues, external equity may become usable. The study is not in tandem with the study of Chen and Chen [51] who argued that for a firm to grow faster, it requires more working capital in terms of external debts. Likewise, Eniola [9], Deloof [85] opined that higher operating capital levels allow firms to increase their sales and obtain greater discounts for early payments and, hence, may increase firms' value. But the result is consistent with the research of Mac an Bhaird [81], who opined that those businesses were unwilling to apply a high level of debt because of the disinclination to abdicate control of the firm owner. More so, when the firm achieves profitability and some standard of stability, debt financing may become an alternative. Thus, H_1 is supported.

The odds ratio for the ME (2.582) indicates that the entrepreneur was more likely to make use of internal resources than external resources in business success. The implication is that equipment acquisition as a tangible and physical asset is worth acquiring if it will increase the net profit of the entrepreneur. But net profit will increase only if the expected rate of return, or yield, of the asset exceeds the rate of interest. This result is in conjunction with the descriptive analysis that indicated that the majority of the entrepreneurs were not motivated and it is not an opportunity driven to seek external financing because it will not result in the increase of net profit as a result of high interest rate. This is likewise coherent with the findings of Cressy [61] who argued that the small firm owner dislikes interference from debt providers. Moreover, the odd ratio indicated that

equipment acquisition is expensive to own and operate and this represents a major commitment of financing, which can be having a major impact on both the solvency and liquidity of the business. The implication also, in line with the resource based view theory, and the empirical findings by [36, 40], SME-firm with high levels of long-term financing; that is financing machinery and equipment, is probably going to be more proficient than those that have a low degree of long term-term financing. This may likewise come about because of economies of scale, which SME-firm with a large financial base may acquire contrast with those with small financing. Thus, H₂ is supported.

The odds ratio for the (BE) (0.107) indicate that the entrepreneur was more likely to make use of external resources than internal resources in business success and performance. This is an implication that entrepreneur are motivated by the opportunity driven for business expansion through market opportunities. The finding of this study is consistent with the resource-based view Chandler [46] findings on the expansion of the firm complemented Penrose theorem. This explained that financing (supported by Schumpeter's view), expansion of the firms through employment creation, and self-fulfilment through an innovation process, in Nigeria, is a propensity for firm to attain competitive advantage. This is line with Chen and Chen [51], who argued that for a firm to grow faster, it requires more external debts. More so, it is likewise in support of the study of Botazzi, Cefis [64], Hellmann and Puri [66] who opine that entrepreneur which dispose of debt source of financing reach the market more quickly, generate more employment and register more patents than business establishment which do not obtain this type of financing. The firm will experience, ability to grow and expand after that they arrived at maturation. At this point, their capital needs will mainly be operating capital to finance their cash flows and possibly lead into their funding agreement with external debt. Their proportion of the debt is very significant. The business expansion led to higher proportions of debt compared to equity. The cogent implication is that entrepreneur could use a financing decision through the capital structure to reduce and expand the business-product market competition, making the firm stronger against their competitors, or extract favourable behaviour from other competitors. Thus, H₃ is supported.

The odds ratio for the (PS) (0.506) shows that the entrepreneur was more likely to make use of external resources than internal resources in business success and performance. This implies that entrepreneur are of positive motivational traits include the perceptual experience of market opportunities for a product and service development. This is in line with the study of Altman, Sabato [68] who viewed SMEs as being highly dependent on external financing in promoting product and service development. When the assessment produces a positive evaluation, a decision is made, usually, to act. This statement is valid as the entrepreneur's decision to obtain external finance depends on the purpose for which they need capital and the associated conditions. Entrepreneurs produce transitional and definitive consumer products that are required for large corporations and the economic process in general. An entrepreneur, as the product and service development process itself is associated with several risks such as financing decision. This is in line with the Sapienza, Korsgaard [13], Shepherd and Ahmed [69] that optimal new product efficiency is essential for small firms, especially considering the robust connection between new product success and the enterprise health. Thus, H₄ is supported.

The odds proportion for the BI (1.988) demonstrates that the entrepreneur was bound to utilize internal resources than outside financing in attaining performance. The implication for business innovation is a pointer to the fact that most firms are not motivated to seek for external financing because of a risky negative performance it will have on the business success. When finance a high percentage of their business innovation with external financing, the business will incur interest rate and refinancing risk might negatively affect firm's success and performance. Moreover, business innovation creates intangible assets which are not usually approved collateral for external financing. In addition, the technical and industry complexities involved with innovation practices make investments very volatile and pose major challenges for the conventional risk management approaches used by fund providers. Knowledgeable of the potential business risk posed by an

inability to repay debt finance, the firm owner is reluctant to take on additional debt especially long-term debt. From the descriptive analysis, it was observed that most of the young and expanding firms did not opine that business innovation could have motivated them to seek for financing. This is in line with the study of Czarnitzki and Hottenrott [72] that internal sources of financing are progressively significant for business innovation and Aghion, Hemous [74] contend that monetarily obliged firms are less inclined to put resources into business innovation since they are liable to long-term macro-economic shocks. Nevertheless, for well-established SMEs and the one that sees entrepreneurship as opportunity seeking for external financing may be for new innovation development. This is in tandem with the research of Vaitkevicius (2014) that says SMEs developing innovative ideas apply for debt financing relatively more compared to equity financing. Thus, H_5 is supported.

5. Conclusion

This examination presents the results of an exploration on entrepreneurship motivation about funding preference in Nigeria. Entrepreneurs constitute a significant proportion of organizations in the Nigeria economy and vary from big business in a number of respects, for example, the working capital, machinery and facilities, size, complexity of operations, and so on. Along these lines, there is a requirement for experimental investigation carried out, particularly, on entrepreneurs and SMEs. The main impetus for the research is a lack of such observational analysis, in general. The observations of the analysis have provided some important effects. The paper's original contribution discusses a discrepancy in existing literature regarding the motivation of entrepreneurs for the Nigerian funding decision. An increased awareness of the factors affecting Nigeria SMEs 'financial strategy will increase entrepreneurs' capacity in better decision-making with respect to their organization's financial decisions. This research would also be helpful in the planning and the preparation of future applications for funding sources and in recognizing the outcome of prior attempts at obtaining loans.

The finding of this study is in line with the resource-based view Chandler [46] findings on the expansion of the firm complemented Penrose theorem. His work centred totally on large-scale initiatives; develop new managerial structures to contain growth, and the way strategic innovation ends up in structural development. That is the confirmation of the essential long-term goals associate degree objectives of an enterprise, and thus, the appropriation of courses of action and the allotment of requiring resources for completing the goals. Likewise, the RBV strategy is advantageous, consolidates improvements in the details and collateral processing over time, but adjusts resource structure with incentive. As a result, it is important for a firm leader and policymaker to prepare and have adequate financing and resources at significant stages of the company's growth. In order to optimize its potentials and increase interest in its finance chain, the enterprising company should concentrate a lot more on maximizing tangible and intangible resources. The shortage of equipment has been described as disincentive of resources in the financing mix and to encourage debate to boost the quality of creativity and innovative product growth. Likewise, machinery procurement continues to be a capital-intensive business better fund by debt than by personal or public equity wealth.

The research is not without restriction. For the most part, it has a regional limitation because it has only been extended to businessmen in the South-West region. While the analysis found a relationship between the variables measured and the sources of funding, the model was not able to include a whole forecast in all situations. This suggests that there are other similarly significant factors that have not been included in this analysis. Further studies on other factors not used in this analysis would be a valuable activity. In addition, a comprehensive analysis of the various forms of funding for small and medium-sized businesses should be conducted, as well as a study to assess the consequences for productive or failed firms to receive loans at different stages of their expansion.

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Conflicts of Interest

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