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Article

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Journal of Open Innovation: Technology, Market, and Complexity

Provided in Cooperation with:

Society of Open Innovation: Technology, Market, and Complexity (SOItmC)

Suggested Citation: Eniola, Anthony Abiodun (2021) : The entrepreneur motivation and financing sources, Journal of Open Innovation: Technology, Market, and Complexity, ISSN 2199-8531, MDPI, Basel, Vol. 7, Iss. 1, pp. 1-17,
<https://doi.org/10.3390/joitmc7010025>

This Version is available at:

<https://hdl.handle.net/10419/241610>

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Article

The Entrepreneur Motivation and Financing Sources

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Abstract: The paper is to examine the influence of business innovation, business expansion, product and service development, working capital, and 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 entrepreneurs, essentially with working capital (WC), machinery and equipment (ME) requirements, and business innovation (BI), use internal funding sources, while business expansion (BE) and product and service (PS) development lean toward external funding sources, and more established and larger firms utilize debt financing. The approach and experiential findings offer an unprecedented degree of investigation of previous studies of Nigerian entrepreneurs. Similarly, the experimental results will strengthen entrepreneurs' knowledge, awareness, and perception. Through their own capabilities, entrepreneurs can prepare and adapt in accordance with the business conditions in which they conduct business, and this work may help them in their choice procedure regarding the capital structure of their organization in the midst of a period when the question of entrepreneur funding is gradually emerging in the Nigerian climate.

Keywords: business innovation; working capital; financing choices; Nigeria; entrepreneur; resource-based view; motivation; machinery and equipment



Citation: Eniola, A.A. The Entrepreneur Motivation and Financing Sources. *J. Open Innov. Technol. Mark. Complex.* **2021**, *7*, 25. <https://doi.org/10.3390/joitmc7010025>

Received: 10 December 2020

Accepted: 5 January 2021

Published: 11 January 2021

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1. Introduction

Choice is an antecedent of motivation. Entrepreneurial motivation and innovation are a response to a decision to create new values that accumulate sustainable advantages and successful results. The heart of entrepreneurship is the choice of either acting or not [1]. Entrepreneurial innovation is associated with any positive quality that encourages an entrepreneur to put into practice his personal idea [2,3]. Holland and Garrett [1] and 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 in different internal and external environments from different angles [5]. Studies on entrepreneurial firms' financing choices focus primarily on the identification of financing choices, and the strengths and weaknesses, of each financing option [5–8]. The decision-making behavior of entrepreneurial companies may, however, be influenced by various financing choices [5,9]. A resource-based view (RBV) implies that resource choice and accretion are both aspects of internal decision-making and external strategies. Corporate management decisions are guided by economic rationality, 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 both 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 [7,9]. Block and Wagner [11], see no significant relationship between entrepreneurial motivations and corporate success, while van der Zwan et al. [12], for example, see a strong positive

correlation between entrepreneurial motivation and corporate performance. Sapienza et al. [13] also reviewed the fact that self-determination and maximization of wealth motivates entrepreneurs to choose funding from any agency. Although these theories are particularly relevant to small and medium-sized enterprises (SMEs) and the 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 et al. [15], the motivations of an entrepreneur are not always clear and precise and have sometimes been called into question. In addition, entrepreneurship theorists have argued that operating capital, which is crucial to 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 an 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 in creating a business, and (b) owning working capital, which 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 of 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 an increase in the number of opportunities-driven entrepreneurs and an increase in national income [15–17]. Similarly, in countries with a low level of national income, an association of an increase in this income 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 the identification of 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 is structured as follows: Section 2 sets out the literature review. Section 3 sets out the methodology of the research. The results are analyzed in Sections 4 and 5 concludes the paper.

2. Literature Review

2.1. Entrepreneur Motivation and Sources of Financing

The theoretical framework carried out in a developed environment, according to [13], leads to the application of traditional finance theory. Researchers have held the notion that conventional finance theory does not provide sufficient support for entrepreneurial decision-making in the financial structure [6,18–32]. The presumptions of conventional financial theories of capital structure are based on the fact that some of the frameworks under review are fairly frail and are not altogether pertinent to the financing of small and medium-sized companies. Newman et al. [33], as cited in Eniola [6], argued that traditional finance theory in developed economies is not likely to apply in emerging or developing economies to elucidate the financial conduct of small and medium-sized enterprises. This creates a theoretical gap. Various investigations have utilized resource-based view (RBV) theory to clarify the impacts of financing on successful business outcomes [6,7,9,34]. RBV pushes performance debates past lowering costs of other forms of organizational benefit in the pursuit of precedents for better economic outcomes. Thus, this study contributes theoretically to the literature by looking at how resource-based theory addresses key perspectives in the decision-making process of entrepreneurial 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. RBV indicates that

entrepreneurial creativity is limited as a result of lack of financing, human resources, company resources, and capability [10,35,36]. Finance has been seen since Schumpeter's study as an important part of the entrepreneurship cycle [27,37–39]. Using resource theory, Eisenhardt and Martin [40] demonstrated the importance of SMEs' decisions on financial capital. In like manner, Cortina et al. [41], Grant [42], and Piesse et al. [43] used resource-based graphics to potentially show that an organization with a high degree of long-term financing is possibly more effective 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 [44] and Nylund et al. [45] suggested that both dimensions of an organization should be closely connected to each other. Owusu et al. [46], Nason et al. [47], and Chandler [48,49], applied the resource-based approach to business expansion to complement the Penrose theorem. This research is largely focused on global initiatives; new organizational frameworks are developed to control expansion and examine how tactical change leads to institutional progress. Decisions about finance are considered a significant component in small and medium-sized enterprises' (SMEs) success and development.

Decisions on finance and accessibility are linked strongly and positively to dynamism and creativity in entrepreneurship. Moreover, existing firms are motivated by financing to leverage opportunities for growth and innovation and to achieve greater stability. Companies can also securely attain a progressively proficient, productive asset portfolio with a financing infrastructure and are also able to select increasingly productive organization systems such as incorporation [50]. Lack of financial means is a significant hindrance to SMEs' advancement, not least as it hinders them from purchasing new technologies that would make them more competitive and increasingly industrious. In a panel analysis of Irish companies, Hewitt-Dundas [36] established that absence of a wellspring of finance constitutes a significant limitation in a firm's development exercises. Moreover, Wiklund and Shepherd [51] claimed that financial decision-making is a significant asset for corporate success, and quantitative research has shown that small businesses have better performance when make use of external financial facilities that are open to enterprises. In growing and financing new entrepreneurial activities, a company utilizes both debt and equity financial resources to produce income and furthermore develop insurance. Hence, new innovation often requires workers' technical expertise, whereas expected cash flow (source of financing) is a part of small and medium-sized companies, where owners, managers, and employees could and should use it to create the company and grow it.

With the growth of companies, the features of SMEs will evolve, and this affects the funding sources readily accessible to entrepreneurs. The sustainability of every organization depends primarily on the willingness of SME owners to handle working capital components effectively [52]. The working of an organization is a daily activity that guarantees the company has enough resources to continue its activities, which are linked to the firm acquiring and disbursing capital [53]. In doing so, the organization will classify its funding options to suit its needs. Higher concentrations of operating capital allow companies to increase sales and early payment discounts and thus to increase the value of these companies. Chen and Chen [54] concluded that a company needs more working capital in terms of external debt if it is to grow faster. Keasey and Watson [55] 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 by Baños-Caballero et al. [56], 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 [57] 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 [58]

identified an active working capital development strategy and corporate performance in 59 industrial companies in Jordan to examine the effects of working capital management policies. Another recent study by Bei and Wijewardana [59] showed that operating capital policy has a major impact on Sri Lankan companies' corporate performance. An analysis by Altaf and Ahmad [60] and Altaf and Shah [61] proposed a link between working capital funding and corporate performance. Moreover, studies found that companies that are likely to be less financially restricted can finance more working capital with short-term debt. Nonetheless, in Nigeria, Raji et al. [62] analyzed the effect of working capital on firms' results, and the findings indicate that there is no significant relationship. On the contrary, Baños-Caballero et al. [56], in a research carried out among SMEs in Spain; found that a suitable financing approach will help firms improve their performance.

The equipment acquisition phase is finalized as an entrepreneur purchases a particular manufacture and machine type from a supplier and this purchase process requires a variety of funding choices [63,64]. For most small and medium-sized businesses, regardless of economic and market conditions, while mitigating risks, financing equipment acquisition in which the right financing decision are made, offers significant benefits [64]. A 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 regarding 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 a firm's desires and financial framework, and the SME entrepreneur identifies the right options and assess funding decision-making [7,9,22]. The purchasing and upkeep of equipment can constitute a huge part of the assets of an organization and can affect income [65]. 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 financing sources and motivation for expansion of new business establishments has been studied by different authors, who note that the participation of entrepreneurship and investors improves opportunities for development and results in firm expansion [66,67]. According to Wille et al. [68], SMEs likewise depend intensely on financing from the traditional financial services industry as a source of financing for both start-up and developing 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 an SME is supported by well-functioning debt and equity financing. An entrepreneur who uses higher levels of sources of financing carries out processes of professionalization of directors more quickly, reaches the market more quickly, generates more employment [69], and registers more patents than business establishments that do not obtain this type of financing [67,69].

According to Mansor et al. [70], 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 small to medium-sized businesses with insufficient resources, irrespective of their ability to accept it. This motivates SMEs to make do with internal financing in promoting product and service development. Altman et al. [71] view SMEs as exceptionally reliant on extraneous funding in promoting product and service development, and debt financing is typically the fundamental wellspring of financing that is accessible. SMEs manufacture transitional and definitive consumer products that are required for large corporations and the economic process in general. Innovating and developing 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 decisions. Small enterprises need to ensure optimal

new product efficiency, particularly in view of the strong connection between new product success and company health [51,72].

Business innovation is the product of a dynamic mechanism that 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 will 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 [73]. A significant number of conventional funding methods are not entirely tailored to innovative businesses. Considering 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 et al. [3] and Hurley et al. [74] said that innovation influences the sustainability of businesses. Be that as it may, vulnerability related to achievement accomplished through interest in innovation can likewise lead to vulnerability in regard to access to external financing. Internal financing sources for research and development, according to Czarnitzki and Hottenrott [75], are progressively more significant than ordinary investment for business innovation. Levitas et al. [76] and Aghion et al. [77] contend that underinvested firms are more averse to put resources into business innovation since they are liable to macroeconomic shocks in the long run. In general, however, businesses tend to have certain preferences for funding strategies, according to Cincera and Santos [73], 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 [78,79]. Vaitkevicius [80] stated that small and medium-sized enterprises that develop innovative ideas and invest in research and development utilize more debt finance than equity finance. Entrepreneurs are strongly involved in the prospect of securing external financing and recognize the different resources available to them.

Hypothesis 1 (H1). *There is a significant relationship between operating capital and funding choices.*

Hypothesis 2 (H2). *There is a significant relationship between acquiring equipment and financing choices.*

Hypothesis 3 (H3). *There is a significant relationship between business expansion and financing choices.*

Hypothesis 4 (H4). *There is a significant relationship between product and service development and financing choices.*

Hypothesis 5 (H5). *There is a significant relationship between business innovation and financing choices.*

2.2. The Nigerian Entrepreneur

In this investigation, the terms “entrepreneurial” and “small and medium-sized businesses,” like the phrases “entrepreneur” and “small business owner,” are utilized conversely. According to Eniola and Entebang [7], the terms “SMEs” and “entrepreneurs” have been used in many instances, each one being equally applied. SMEs in Nigeria may, in an indirect way, reflect the current increase in business motivation in the region. The two terms in this analysis describe a motivated individual who makes decisions on funding in emerging businesses. According to Schumpeter [18], Teece [19], and Baumol [20], an entrepreneur is identified as an innovator, creator, locator, and risk-taker through leadership exercise. In this context, an entrepreneur is described as the maker of something new and a creator in the economy of today. Many researchers link an entrepreneur to different features and activities, such as creativity, risk-taking, and development and growth of small and medium-sized 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.

Developed countries like the United States started transitioning from a “managed” economy to an “entrepreneurial” economy in the mid-1970s, sustaining economic prosperity for the next 20 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 that is engaged in a new business and is experiencing the business processes of founding, developing, and maturing [5,21]. Entrepreneurial firms’ growth, sustainability, and creation are inseparable from adequate financial support. Research on the motivation of entrepreneurs and their choice of financing is therefore crucial to solving the problem of financing of entrepreneurial firms.

In developing countries, a growing interest in entrepreneurialism mainly reflects the possible contributions of such practices to economic and employment opportunities [22,23]. The resource-based view (RBV) implies that competitive advantage is derived from capital and a variety of resources that are better than those of a firm’s competitors. Studies have shown that Nigeria consists of a huge number of SMEs that offer the working-age 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, 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 this generates around 90% of its revenue [24,25]. This heavy reliance on oil resources has led to multiple challenges. The unemployment rate as of September 2018 stood at 23.1% in spite of the fact that the country boasts a youthful population in which 53.2% are aged between 15 and 65 [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 in 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.

This 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 of formal schooling and a prevailing labor market, conventional ideas of the male as breadwinner/family provider, and the socialization of young women into home life further exacerbated this phenomenon. Therefore, such assumptions have helped make women least noticeable in the formal economy and could, in particular, 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 in two states, the Lagos–Otigba SME cluster in Lagos State and the Nnewi SME cluster 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 Nigerian economy are significantly positive. According to Ekesiobi et al. [29] and Chete et al. [30], the Nnewi automotive parts industrial cluster is a huge success story in Nigeria (e.g., the Innoson Group), and it is a very good example of how an informal cluster can develop and succeed without financial support from the government in providing essential public service programs. Local job-creating traders became automotive parts manufacturers through close ties with engineering suppliers in 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. Incorporating the dynamic cooperation of private industry affiliations, investment readiness, and willingness to adopt and integrate international technologies, robust inno-

vation, and competitiveness are the most critical achievement indicators. Most importantly, the Nnewi cluster made an ongoing effort to bolster the necessary infrastructure when the state neglected to act in this way, and firms are thriving, surviving, and expanding, notwithstanding significant infrastructure and financial restrictions.

The Otigba SME ICT cluster is a development with some 392 SMEs employing more than 3000 workers, increasing the size of the cluster to meet regional West African market demand [30,31]. Cluster development characterizes substantial intercompany 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 firms in their desire to provide supplier credits to each other, including know-how sharing and joint warehousing. These sectors are considered an added value and show an intensive and high level of knowledge.

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

3. Methodology

3.1. Sources of Data

SMEDAN/NBS [81] stated that SMEs constitute 44,182 of 17.28 million MSMEs operating in Nigeria, in which 7474 SMEs are situated in the South-West. Thus, the study was carried out among 7474 SMEs in the South-West geopolitical zone using an adopted questionnaire survey methodology. Using stratified random sampling techniques, 613 samples were selected. Out of the 613 questionnaires distributed to the entrepreneurs, 504, or 85.6%, were retrieved; in which 298 respondents were males while 206 were females.

The study looks at enterprises that started a business from scratch and have been in existence for up to 5 years. Specific participants in our sample are business owners who have taken the path to entrepreneurship in one of 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 the business, and by buying an existing business.

Such selected enterprises/entrepreneurs represent different types of ownership (i.e., individual ownership, partnership, family ownership, and limited liability) conducted in 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 50 SME owners was performed. These sectors were seen as sectors where entrepreneurs are economically active. The data preparation processes involved data entry into a database, data filtering, and finding any missing responses.

The logistic method was utilized to evaluate the survey results [9]. Logistic regression is considered worthy for 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 [82]. Hence, the study applied the likelihood ratio test through the Statistical Package for Social Sciences (SPSS) version 24. A dependent variable is described by many nonbiased variables in the logistic regression analysis. In fact, the regression model allows the consideration of changes in the dependent variable when one of the exogenous variables is altered, even though the other independent variables are constant.

3.2. Measurement

The issue of motivation for selecting an alternative source of financing is still widely discussed from both theoretical and scientific viewpoints, with not a single convincing argument yet to be found [6,9]. The value generated by separate acquisitions noticed by Kochhar [83] 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 that of Mac an Bhaird [32], who stated that a resource 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 opportunity possibilities could expand their utilization of both debt and equity. The maximum and widely used constructs of entrepreneur motivation are sourced from Baños-Caballero et al. [56] and Keasey and Watson [55] for working capital [63,64], machinery and equipment requirement [66,67], and business expansion; Mansor et al. [67] for product and service development; and Mahmood et al. [3], Hurley et al. [74], and Vaitkevicius [80] for business innovation.

4. Results

The demographic profile of the respondents was identified. In 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 males and females as predicted in the demographic. Care was taken to continue and generalize the results of the analysis, in particular for those whose gender may be a predictor.

4.1. Descriptive Statistics

The researcher sought to find out for those who applied for funding the kind of financing provision that they applied for in terms of debt and equity. The interviewees were asked to show all the kinds of funding they needed as indicated in Table 1 below.

Table 1. Sources of financing.

Sources of Financing	Yes	Percentage	No.	Percentage
Banking institutions	175	34	329	64
Government agencies	126	24.5	378	73.5
Microfinance institutions (MFIs)	86	16.7	418	81.3
Family and friends	61	11.9	443	86.2
International donor agencies	41	8	463	90.1
Money keepers/savings collectors	12	2.3	492	95.7
Personal resources	425	82.7	79	15.4
Rotating savings and credit associations (ROSCAs)	8	1.6	496	96.5

More than half of the respondents (82.7%) sought personal resources as their source of financing, followed by banking institutions (34%), government agencies (24.5%), microfinance institutions (MFIs) (16.7%), family and friends (11.9%), and rotating savings and credit associations (ROSCAs) (1.6%).

This finding is in line with those of other studies that have shown that informal sources of financing are the main financing choices for SMEs in developing countries [50]. According to Levy [84] a huge bulk of SMEs in developing countries provide for their financial needs through the owner–manager’s personal resources. This confirms that the

sourcing of financing is from personal resources with little assistance from family and friends and mutual fund resources.

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 act or to 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. This argument is true as the choice of SME managers to receive external funding depends on the intent and the requirements to be met. Thus, the research strived to know what motivates the respondents to seek financing of their businesses. The mean and standard deviation among the observed variables are described in Table 2.

Table 2. Motivation for sources of financing.

Motivation for Sources of Financing (%)	Yes	No
Operating capital requirements	75.0	25.0
Acquiring equipment	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 2, most entrepreneurs were motivated to look for capital due to the demand to meet the needs for operating capital requirements. For entrepreneurs who registered their businesses as required by regulation and statute, these could have involved venture capital, likewise capitalization. The matter of acquiring equipment as an indication to seek funding was a loaded one with 47.0% of the respondents' positive and 53.0% negative. The majority of the respondents did not opine that expansion, product and service development, and business innovation could have motivated them to seek financing. This may be a consideration for young and expanding SMEs. Nevertheless, for well-established SMEs, the issue of seeking financing may be for new innovation development, equipment replacement due to wear and tear, establishment of value-added capacity, or new product evolution.

As examined, the financing trends 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 [85]. In this concept, bank funding, like overdrafts, was primarily used for the funding process.

In Table 3, it is obvious that all the respondents opined and believed that the motivational factors considered determining the sources of financing were greatly significant. The respondents also believed that production and services development (21.8%) and business innovation (21.6%) were of greatest significance in determining sources of financing. Furthermore, Table 3 ensures via 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. This means that the respondents agreed similarly on productivity as a key factor in deciding the source of entrepreneurial funding for operating capital. These observations square with the observations in [55] that, SMEs owners consider short-term funding above long-time 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 over 5 years, the potential to grow and expand is greatly limited and has matured. At this point, financial requirements should be mainly working capital to fund cash flows and possibly lead into their funding arrangement with the financial provider.

Table 3. Motivation for 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	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.

4.2. Regression Analysis

The regression model allowed the 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 variance inflation factor (VIF) and tolerance statistics (see Table 4) revealed no collinearity because the VIF figures were both well below 10 and the tolerance numbers just above 0.2. It could thus be confidently inferred that the data showed no collinearity.

Table 4. Test of multicollinearity for motivation.

Model	Coefficients ^a					Collinearity Statistics	
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Tolerance	Variance Inflation Factor VIF
	B	Std. Error	Beta				
(Constant)	0.677	0.145		4.656	0.000		
Working capital/operating capital (WC)	0.067	0.044	0.074	1.520	0.129	0.674	1.484
Machinery and equipment requirement (ME)	0.183	0.041	0.210	4.415	0.000	0.705	1.418
Business expansion (BE)	−0.340	0.034	−0.472	−10.054	0.000	0.721	1.387
Product and service development (PS)	−0.135	0.037	−0.161	−3.616	0.000	0.801	1.249
Business Innovation (BI)	0.133	0.041	0.154	3.222	0.001	0.698	1.432

^a Estimation terminated at iteration number 6 because parameter estimates changed by less than 0.001.

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 the entrepreneurs used debt as a financing source, and 42.1% used equity as a means of company performance, with an overall performance rate of 65.7%. Founded on the basis of Nagelkerke R^2 , this gives 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 [86]. There was a weak association of 29.5% between indicators and the expectation. However, this is the standard in logistic regression using a Nagelkerke R^2 of 0.295 [6,9,87] (see Table 5). 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, with Pallant [86] suggesting that the model corresponded well to the results. The poor fit was found to be relevant, meaning less than 0.05 for the Hosmer–Lemeshow test, and thus, the model would be more than 0.05 to support this [86], suggesting that the model corresponded well to the results. In this manner, there was a failure to refute the

null hypothesis that there was no difference between the observed and predicted values (see Table 5).

Table 5. Logistic regression output for motivation, case processing summary.

Unweighted Cases ^a			N	Percent		
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			
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 Tests of Model Coefficients						
Step 1		Chi-Square	Df	Sig.		
	Step	125.559	5	0.000		
	Block	125.559	5	0.000		
	Model	125.559	5	0.000		
Model Summary and Hosmer–Lemeshow Test						
Step	–2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square	Chi-square	df	Sig.
1	570.266 ^a	00.221	00.295	9.810	6	00.133
Classification Table ^{a-}						
Step 1	Observed	Predicted			Percentage	
		Sources of Financing			Correct	
		Debt Financing	Equity Financing			
	Sources of financing	Debt financing	233	38	86.0	
		Equity financing	135	98	42.1	
	Overall percentage				65.7	
The cut value is 0.500.						

^a Estimation terminated at iteration number 6 because parameter estimates changed by less than 0.001.

Table 6 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 (ME) requirement ($p = 0.000$), business expansion (BE) ($p = 0.000$), product and service (PS) development ($p = 0.001$), and business innovation (BI) ($p = 0.002$) using a 0.05 criterion of statistical significance. Wald takes the significance values, and if they are less than the criterion, the null hypothesis is rejected as all the variables do make a significant contribution.

The odds ratio for 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 working capital. It is observed that most entrepreneurs want to be in command, lowering capital cost and operating risk. This result affirms that most entrepreneur motivation stems from the desire for sources of income. This is in line with the descriptive analysis that indicated a high clustering around the mean of the dispersion. This implies that entrepreneurs agreed closely on the effectiveness of working capital as a focal motivator in determining the source of business financing. 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 was for over 5 years. In this respect, the required capital

will fundamentally be working capital to back cash flows and possibly lead to a funding agreement with a provider of goods and services and personnel. However, the remaining entrepreneurs who are motivated by opportunity rather than necessity and make use of debts as working or operating capital generally have sustained advantage, and this provides 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 these firms' value. As the firm develops and starts to get revenues, external equity may become usable. This study is not in tandem with the study of Chen and Chen [54], who argued that, for a firm to grow faster, it requires more working capital in terms of external debts. Likewise, Eniola [9] and DeLoof [88] opined that higher operating capital levels allow firms to increase their sales and obtain greater discounts for early payments and, hence, may increase these firms' value. However, the result is consistent with that in the research of Mac an Bhaired [32], who opined that businesses are 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.

Table 6. Logistic regression of effects of motivation on the choice of sources of small and medium-sized enterprise (SME) financing.

Predictors	B	Wald χ^2	p-Value	Odds Ratio	Decision
Working capital/operating capital (WC)	0.747	5.885	0.015	2.112	Supported
Machinery and equipment requirement (ME)	0.949	16.298	0.000	2.582	Supported
Business expansion (BE)	−2.232	43.950	0.000	0.107	Supported
Product and service development (PS)	−0.681	11.653	0.001	0.506	Supported
Business Innovation (BI)	0.687	9.992	0.002	1.988	Supported
Constant	1.185	2.421	0.120	3.271	

The odds ratio for 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. However, 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 not opportunity driven to seek external financing because it would not result in the increase of net profit as a result of high interest rate. This is likewise coherent with the findings of Cressy [64], who argued that a small firm owner dislikes interference from debt providers. Moreover, the odd ratio indicated that equipment is expensive to own and operate, and this represents a major financial commitment, which can have a major impact on both the solvency and liquidity of the business. The implication is also in line with the resource-based view theory and with empirical findings [39,43] regarding SMEs with high levels of long-term financing; that is, financing machinery and equipment is probably going to be more proficient for those that have a low degree of long-term financing. This may likewise come about because of economies of scale, which SMEs with a large financial base may acquire in contrast with those with small financing. Thus, H_2 is supported.

The odds ratio for BE (0.107) indicates 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 entrepreneurs are motivated by business expansion through market

opportunities. The finding of this study is consistent with the resource-based view and Chandler's [49] findings on the expansion of a firm complemented the Penrose theorem. This explains that financing (supported by Schumpeter's view), expansion of firms through employment creation, and self-fulfillment through an innovation process in Nigeria are a propensity for firms to attain competitive advantage. This is in line with the results of the study of Chen and Chen [54], 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 and Cefis [67] and Hellmann and Puri [69], who opined that entrepreneurs who dispose of a debt source of financing reach the market more quickly, generate more employment, and register more patents than business establishments that do not obtain this type of financing. Firms will experience the ability to grow and expand after they arrive at maturation. At this point, their capital needs will mainly be operating capital to finance their cash flows and possibly lead to a funding agreement for external debt. The proportion of the debt is very significant. Business expansion has led to higher proportions of debt compared with equity. The cogent implication is that entrepreneurs could use a financing decision through the capital structure to reduce and expand business product market competition, making firms stronger against their competitors, or extracting favorable behavior from other competitors. Thus, H₃ is supported.

The odds ratio for 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 entrepreneurs have positive motivational traits, including the perceptual experience of market opportunities for product and service development. This is in line with the results of the study of Altman et al. [71], 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 entrepreneurs' decision to obtain external financing 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. To an entrepreneur, the product and service development process itself is associated with several risks, such as financing decisions. This is in line with the results of the studies of Sapienza et al. [13] and Shepherd and Ahmed [72], who stated 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 BI (1.988) demonstrates that the entrepreneur was bound to utilize internal resources rather 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 external financing because of the risky negative performance it will have on business success. When financing a high percentage of its business innovation with external financing, the business will incur interest rates, and refinancing risk might negatively affect the firm's success and performance. Moreover, business innovation creates intangible assets that 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 to the conventional risk management approaches used by fund providers. Knowledgeable about 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 financing. This is in line with the results of the study of Czarnitzki and Hottenrott [75], who opined that internal sources of financing are progressively significant for business innovation, and Aghion et al. [77] contended that monetarily obliged firms are less inclined to put resources into business innovation since they are liable to long-term macroeconomic shocks. Nevertheless, for well-established SMEs and those that see entrepreneurship as an opportunity, seeking external financing may be for new innovation development. This is

in tandem with the results of the research of Vaitkevicius ([80]), who said that SMEs developing innovative ideas apply for debt financing relatively more compared with equity financing. Thus, H₅ is supported.

5. Conclusions

This examination presents the results of an exploration of entrepreneurship motivation regarding funding preference in Nigeria. Entrepreneurs constitute a significant proportion of organizations in the Nigerian economy and vary from big business in a number of respects, for example, working capital, machinery and facilities, size, complexity of operations, and so on. Along these lines, there is a requirement for experimental investigations carried out, particularly on entrepreneurs and SMEs. The main impetus for this research is a lack of such observational analysis, in general. Observations from the analysis provided some important results. The work makes a contribution that is theoretically different from the work of Sapienza and Korsgaard [13], who applied agency theory, while this work looks at it using the resource-based view theory in the area of firm growth and how its practical application can assist entrepreneurs.

The paper's original contribution discusses a discrepancy in existing literature regarding the motivation of entrepreneurs for Nigerian funding decisions. An increased awareness of the factors affecting Nigerian SMEs' financial strategy will increase entrepreneurs' capacity for better decision-making with respect to their organizations' financial decisions. This research could also be helpful in the planning and 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 of Chandler [49] Eniola [6,7,10] that the expansion of a firm complements the Penrose theorem. This work focuses on small-, medium-, and large-scale initiatives, while the previous authors' work is centered totally on both medium- and large-scale initiatives, developing new managerial structures to contain growth, and the way strategic innovation ends up in structural development. The confirmation of essential long-term goals is associated with the degree objectives of an enterprise, and thus, the appropriation of courses of action and the allotment of resources required for completing the goals. Likewise, the RBV strategy is advantageous, consolidates improvements in details and collateral processing over time, but adjusts the resource structure for incentives. 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 potential and increase its interest in its finance chain, the enterprising company should concentrate a lot more on maximizing tangible and intangible resources. Shortage of equipment has been described as a disincentive of resources in the financing mix, and debate should be encouraged to boost the quality of creativity and innovative product growth. Likewise, machinery procurement continues to be a capital-intensive business better funded by debt rather than by personal or public equity wealth.

The research is not without limitation. 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 forecast in all situations. This suggests that there are other similarly significant factors that have not been included in this analysis. Further studies of other factors not used in this analysis would be valuable activities. 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 that would assess the consequences for productive or failed firms of receiving loans at different stages of their expansion.

Funding: This research received no external funding.

Institutional Review Board Statement: Not Applicable.

Informed Consent Statement: Not Applicable.

Data Availability Statement: Data is available on request.

Conflicts of Interest: The author declares no conflict of interest.

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