SOURCES OF FUNDING FOR ENTREPRENEURS FOR SUSTAINABLE GROWTH AND DEVELOPMENT OF SMALL SCALE BUSINESSES

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Abstract
Funding is an issue of great concern to entrepreneurs. This study examines the available sources of funds to entrepreneurs for sustainable growth and development of small scale business in Nigeria. The general objective of the study is to analyze the available sources of funds to entrepreneurs. To this effect, data were collected from randomly selected one hundred and fifty entrepreneurs operating in the Northern part of Delta State, through the use of self designed questionnaire. The statistical tool used for data analysis was chi-square. From the analysis of hypothesis one, the calculated value is 0.000015 and the tabulated value is 0.0039. The calculated value of hypothesis two is 0.025 and the tabulated value is 0.103, while the calculated value for hypothesis three is 0.0032 and tabulated value is 0.103. Consequently, it was revealed that the success of entrepreneurs in business depends on the availability of funds. It concludes that entrepreneurs should make adequate plans for sourcing of funds and acquisition of reasonable amount before commencing any business. It recommends that entrepreneurs should not borrow high interest funds when the need arises.

Keywords: Entrepreneur, sustainable growth, development, Repayment, bankruptcy.

Introduction
Raising capital to start a business is often a difficult hedge to break. Sometimes, the entrepreneur may have the idea, potential skill and creativity to establish a business but the fund to take off becomes the bay. Many lack the zeal to make their ideas known to facilitators who may sponsor the idea and so find themselves in a vicious circle. Oluesan (2005) states that for an initiator of a business to start off the business, there should be a certain personal savings seed capital, that will encourage buoyant people to give financial assistance to the entrepreneur. Osuala (1996) posit that the money an entrepreneur needs to start off a business is called seed money, or adventure capital or an injection capital. This means that the outcome of the money invested into the business is uncertain and so the initiator should provide it. According to Jim Jerry (2013) many business ideas
cannot hatch into money making concern without funds. Jerry Anderson and Bradlee (2013) submit that though entrepreneurs are often faced with the hurdle of financing their businesses culminating in the possibility of success; still need to select the source, based on their personal financial standing and the best that meet their needs. Thus the following were listed as the available sources of fund: small business Administration loans, retirement funds, private loan, personal credit card, and personal Bank loan and venture capital inventors.

The sources of finance available to Small and Medium Scale Enterprises (SMEs) are his personal equity and loans, and grants form relatives and friends (Osamwonyi 1988, Nwoye 1994). According to Rogers (2002) institutional sourcing of funds includes. Banking industry, Small-scale industry credit scheme (SSICS), small and medium industry equity investment scheme, the bank of industry and the capital market. Furthermore they assert that the problem with funding SME’s is not so much the source of funds but their accessibility. Consequently certain factors inhibiting funds accessibility by SMEs were identified as follows; the stringent conditions set by financial institutions, lack of adequate collateral, credit information and cost of accessing funds (Oladele, 2004; Adepoju, 2003 and Osamwonyi, 2004).

Olashole (1987) observed four sources of enterprises financing open to small scale industry in Nigeria, these include:

1. formal financing institutions, such as, commercial banks, merchant banks, insurance companies and development banks
2. Informal financial landlord, credit and savings associations “ESUSU”, personal savings, funds from friends and relatives.
3. Other financial schemes are NERFUND, NEXIM. In 2001, there was an introduction of small and medium industry investment scheme (SMIEIS)

Dileep Rao (2010) the author of bootstrap to Billions, a business financier who has financed over 450 businesses opines that where and how you finance an operation can be the difference between dominance and failure. He states that entrepreneurs ought to harness a few different sources of capital which could result in the reduction of a company’s cost of capital and saving from bankruptcy. He identified twelve best sources of business financing as follows; Bootstrapping, Internal Revenue Service, tax increment financing, small business innovative research grants (SBIR), vendors, customers, local and state economic development organizations, small Business administration loans, Bank loans, smart leases and Angel Equity.

Fisayo (2011) explains that sourcing for fund is central to the take off of any prospective business, that it is a very daunting challenge to overcome and it could mark the difference between starting a new business and nurturing it to maturity. He added that many new businesses have died off within their first year of establishment due to lack of sustainable capital funding. He further explained that newly established business is like a new born baby that must continuously be fed by injecting new funds until it is nurtured and weaned off. He advised that entrepreneurs must source for funds that will not give them sleepless night over loan repayment, since bank loans in Nigeria are not accessible to new start ups but are only available to bigger businesses who have collateral and visible cash flows and not to beginners. He mentioned certain sources of business funding available to entrepreneurs in Nigeria. These includes: sell of unused assets, personal savings, funds from family and friends, service to a trade master and selling of one’s stocks and shares. It was further advised that repayable loans from banks or even from friends do not offer peace of mind to any new start up, that loans should be better left to when the business has grown to a level of the need of more funds to expand.
Statement of the problem
Small scale Business operators in the past, rely on personal savings on going into a business ventures, but some found that their personal savings were not sufficient enough to carryout their desired business and generate expected income. With passage of time, entrepreneurs resorted to seeking additional funds from Relatives and friends, money lenders and banks until Government realize the important role that small scale Business play in economic development. This awareness led Government into initiating various funding sources/agencies for small scale Business owners to access. Despite all the available sources, the small scale Business operators in the grass root seem accessing funds difficult. If eventually accessed any, they get stress and sleepless night over obtaining and repayment of such loans. This leads to higher over head cost and eventually goes into liquidation, it is upon this background that this paper examines available sources that could make up a good combination that may not be stressful to obtain and pay back and will enhance sustainable business growth and development in the grass-root.

Objectives of the study
The objective of the study is to analyze the available source of funds to entrepreneurs and to propose manageable sources that are more relaxed to utilize.

The specific objective include the followings
1. To examine the available sources of funds
2. To find out the extent of accessibility of these sources
3. To identify the best combinations of interest free sources that may be flexible and relaxed for use

Research questions
1. What are the available sources of fund?
2. To what extent are these sources accessible?
3. Which of the combinations of the interest free funds below best satisfy your needs and are relaxed for use?

Hypothesis 1
H_o: Flexibility of sources of fund is significant to the extent of accessibility of funds.
H_1: Flexibility of sources of fund is not significant to the extent of accessibility of funds.

Hypothesis 2
H_o: Entrepreneur’s success is dependent on the accessibility of available sources.
H_1: Entrepreneur’s success is not dependent on the accessibility of available sources.

Hypothesis 3
H_o: Sources that are interest free are more relaxed to use and payback
H_1: Sources that are interest free are not more relaxed to use and payback.

Scope of the study
The study covered available sources of funding to entrepreneurs for sustainable growth and development of small scale Business in the grass root of the Nigerian economy. The study focused on one hundred and fifty entrepreneurs in Aniocha south local Government Area of Delta State.

Methodology
The population of the study includes one hundred and fifty entrepreneurs operating in Aniocha South Local Government Area of Delta State. The sample used in the study is one hundred and nine entrepreneurs. Taro Yammane’s Formula was used in determining the sample size. Data were collected using a self designed questionnaire which were administered to all entrepreneur selected. The statistical tool used in analyzing the collected data is the Chi-Square statistic;
which is given by $X^2=\frac{\sum(0-e)^2}{E}$

Where; $o$ is observed value
$e$ is expected value

[Spielgel, M.R and Stephine, L.J, 2000]

Data presentation and analysis

TABLE 1: Shows the responses on the available sources of funds

<table>
<thead>
<tr>
<th>Sources</th>
<th>Frequency</th>
<th>Percentage (%)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Private Credit institutions, Bank loans, Government agencies are available sources with interest</td>
<td>71</td>
<td>79</td>
<td>150</td>
</tr>
<tr>
<td>2 Personal savings, trade credit, Osusu, funds from Relatives, friends, equity funds partner, serve a trade master; selling unused Assets are not with interest.</td>
<td>82</td>
<td>91</td>
<td>173</td>
</tr>
<tr>
<td>Total</td>
<td>153</td>
<td>170</td>
<td>323</td>
</tr>
</tbody>
</table>

Source: Field survey (2016)

TABLE 2: Shows the responses on the extent to which sources are accessible

<table>
<thead>
<tr>
<th>Sources</th>
<th>Frequency</th>
<th>Percentage (%)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>50</td>
<td>56</td>
<td>106</td>
</tr>
<tr>
<td>Available sources are accessible to a greater extent</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>55</td>
<td>61</td>
<td>116</td>
</tr>
<tr>
<td>Available sources are accessible to low extent</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>55</td>
<td>61</td>
<td>116</td>
</tr>
<tr>
<td>Available sources are accessible to no extent</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>160</td>
<td>178</td>
<td>338</td>
</tr>
</tbody>
</table>

Source: Field survey (2016)
TABLE 3: Shows the responses on the best combination that satisfy entrepreneur needs.
Research Question 3: Which of the combinations of interest free funds below best satisfy your needs and are relaxed for use?
Source: Field survey (2016)

<table>
<thead>
<tr>
<th>Sources</th>
<th>Frequency</th>
<th>Percentage (%)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>6. Personal savings, funds from relatives, friends, and osusu are flexible accessible and are relax to use?</td>
<td>60</td>
<td>67</td>
<td>127</td>
</tr>
<tr>
<td>7. Funds from personal savings, selling off of unused assets and selling of shares and stocks are flexible accessible and are relaxed to use</td>
<td>50</td>
<td>55</td>
<td>105</td>
</tr>
<tr>
<td>8. Funds from serving a trade master, relatives and friends are flexibly accessible and are relaxed to use</td>
<td>65</td>
<td>72</td>
<td>137</td>
</tr>
</tbody>
</table>

Total 175 194 369

TABLE 4: Shows observed and expected values of data on the table

<table>
<thead>
<tr>
<th>1</th>
<th>Sources</th>
<th>Frequency</th>
<th>Percentage (%)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Private credit institutions, Bank loans, Government agencies are available sources with interest</td>
<td>71 (71.05)</td>
<td>79 (78.94)</td>
<td>150</td>
</tr>
<tr>
<td>2</td>
<td>Personal savings, trade credit, osusu, funds from Relatives, friend, equity funds, partners, serving a trade master and selling unused assets are not with interest</td>
<td>82 (81.94)</td>
<td>91 (91.05)</td>
<td>173</td>
</tr>
</tbody>
</table>

Total 153 170 323

Source: Field survey (2016)

Table 5: Shows the observed and Expected values of Data on table 2

<table>
<thead>
<tr>
<th>3</th>
<th>Sources</th>
<th>Frequency</th>
<th>Percentage (%)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Available sources are accessible to a greater extent</td>
<td>50 (50.11)</td>
<td>56 (55.82)</td>
<td>106</td>
</tr>
<tr>
<td>4</td>
<td>Available sources are accessible to a greater extent</td>
<td>55 (55.82)</td>
<td>61 (61.08)</td>
<td>116</td>
</tr>
<tr>
<td>5</td>
<td>Available sources are accessible to no extent</td>
<td>55 (55.82)</td>
<td>61 (61.08)</td>
<td>116</td>
</tr>
</tbody>
</table>

Total 160 178 338

Source: Field survey (2016)
Table 6: shows the Observed and Expected values of Data on table 3

<table>
<thead>
<tr>
<th>Sources</th>
<th>Frequency</th>
<th>Percentage (%)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 Personal savings, funds from relatives, friends, and osusu are flexible and are relaxed to use</td>
<td>60 (60.23)</td>
<td>67 (66.76)</td>
<td>127</td>
</tr>
<tr>
<td>7 Funds from personal savings, selling off of unused assets and selling of shares and stocks are flexible accessible and are relaxed to use</td>
<td>50 (49.79)</td>
<td>55 (55.200)</td>
<td>105</td>
</tr>
<tr>
<td>8 Funds from serving a trade master, relatives and friends are flexibly accessible and are relaxed to use</td>
<td>65 (64.97)</td>
<td>72 (72.02)</td>
<td>137</td>
</tr>
<tr>
<td>Total</td>
<td>175</td>
<td>194</td>
<td>369</td>
</tr>
</tbody>
</table>

The value in bracket is the expected frequency while those not enclosed in brackets are the observed frequencies. In order to obtain the expected frequencies, the following formula was used.

\[
\text{Expected} = \frac{\text{Row totals} \times \text{Column total}}{N} \times \frac{\text{Fr} \times \text{Fc}}{N}
\]

Where:
- \(\text{Fc}\) = Column total
- \(\text{Fr}\) = Row total
- \(N\) = Grand total

**Hypothesis 1**

**H0:** Flexibility of sources of funds is significant to the level of accessibility of funds.

**H1:** Flexibility of sources of funds is not significant to the level of accessibility of funds.

\[
n \sum_{1=1}^{n} \frac{(o_{ij} - e_{ij})^2}{e_{ij}}
\]

**Decision rule:** Reject \(\text{H}_0\) if \(x^2\) calculated is greater than \(X^2 (x, (r-1)(c-1))\) where \((r-1)(c-1)\) is the degree of freedom, if \(x^2\text{cal}>x^2\text{tab}\).
From the table above, $X^2$ calculated is shown below.

$$X^2 = \sum_{i=1}^{n} \frac{(o_{ij} - e_{ij})^2}{e_{ij}}$$

$$= \frac{(71 - 71.05)^2 + (79 - 78.94)^2 + (82 - 81.94)^2 + (91 - 91)^2}{71.05 - 78.94 - 81.94 - 91.05}$$

$$= \frac{(0.05)^2 + (0.06)^2 + (0.06)^2 + (0.05)^2}{71.05 - 78.94 - 81.94 - 91.05}$$

$$= \frac{(0.0025) + (0.0036) + (0.0036) + (0.0025)}{71.05 - 78.94 - 81.94 - 91.05}$$

$$= \frac{0.00000352 + 0.00000456 + 0.00000439 + 0.00000275}{71.05 - 78.94 - 81.94 - 91.05}$$

$$= 0.000000152$$

Decision Rule:
If calculated value is less than table value, the null hypothesis (H0) is accepted.

Conclusion: since 0.00000152 is less than 0.0039 table value, we therefore accept H0. That is flexibility of sources of funds is significant to the level of accessibility of funds.

Hypothesis 2:
H0 Entrepreneur success is dependent on the accessibility of available sources.
H1 Entrepreneur success is not dependent on the accessibility of available sources.

Test statistics is given by

$$n \sum \frac{(o_{ij} - e_{ij})^2}{e_{ij}}$$

Where;

Oij are the observed values
Eij are the expected values
0.05 level of significance will be used.

Decision rule: Reject H0 if $X^2$ calculated is greater than $X^2 (x, (r-1)(c-1))$ where $x, (r-1)(c-1)$ is the degree of freedom, if $X^2\text{cal}>X^2 \text{tab}$

From the table above, $X^2$ calculated is shown below.

$$X^2 = \sum_{i=1}^{n} \frac{(o_{ij} - e_{ij})^2}{e_{ij}}$$

$$= \frac{(50 - 50.11)^2 + (56 - 55.82)^2 + (55 - 55.82)^2 + (55 - 55.82)^2 + (61 - 61.08)^2 + (61 - 61.08)^2}{50.11 - 55.82 - 55.82 - 61.08 - 61.08}$$

$$= \frac{(-0.11)^2 + (0.18)^2 + (-0.82)^2 + (0.08)^2 + (-0.82)^2 + (0.08)^2}{50.11 - 55.82 - 55.82 - 61.08 - 61.08}$$

$$= \frac{(0.00121) + (0.0324)^2 + (0.6724)^2 + (0.0064)^2 + (0.6724)^2 + (0.0064)^2}{50.11 - 55.82 - 55.82 - 61.08 - 61.08}$$
50.11  55.82  55.82  61.08  55.82  61.08
= 0.0002415 + 0.0005804 + 0.0120459 + 0.0001048 + 0.0120459 + 0.0001048
= 0.025123187
= 0.0251
= (R-1)(R-1)
= (3-1)(2-1)
= (2)(1)
= 20.05, 0.103

Decision Rule: If calculated value is less than table value the null hypothesis (H₀) is accepted

Conclusion: since 0.025 is less than 0.103 table value, we therefore accept H₀, that is, Entrepreneurs success is dependent on the accessibility of available sources.

Hypothesis 3:
H₀ sources that are sources that are interest free are more relaxed to utilize.
H₁ sources that are sources that are interest free are not more relaxed to utilize

Test statistics is given by

\[ X^2 = \sum_{i=1}^{n} \frac{(o_{ij} - e_{ij})^2}{e_{ij}} \]

Where:
- Oij are the observed values
- Eij are the expected values
- 0.05 level of significance will be used.

Decision rule: Reject H₀ if \( x^2 \) calculated is greater than \( X^2 ((x, (r-1)(c-1)) \) where \( (r-1)(c-1) \) is the degree of freedom, if \( x^2 \) cal> \( X^2 \) tab

From the table above, \( X^2 \) calculated is shown below.

\[ X^2 = \sum_{i=1}^{n} \frac{(o_{ij} - e_{ij})^2}{e_{ij}} \]
\[ = (60-60.23)^2 + (67-66.76)^2 + (50-49.79)^2 + (55-55.20)^2 + (65-64.97)^2 + (72-72.02)^2 \]
\[ = 0.0529 + 0.0576 + 0.0441 + 0.04 + 0.0009 + 0.0004 \]
\[ = 0.0532 \]
\[ = (R-1)(C-1) \]
\[ = (3-1)(2-1) \]
\[ = (2)(1) \]
\[ = 2 \]
\[ = 0.05, 0.103 \]

Decision Rule: If calculated value is less than table value, the null hypothesis (H₀) is accepted.

Conclusion: since 0.0032 is less than 0.103 table values, we therefore accept H₀, that is, sources that are interest free are more relaxed to utilize.
Findings
1. From table 1, the researchers found that up to 85% \((91+79/2)\)% of total responses are aware of the available sources. This is supported from the literature review by Rogers (2002), who stated that “it seems clear that the problem with funding SME’s is not so much the source of funds but the accessibility.
2. On table 2, it was found that accessing funds is not easy, notwithstanding whether it is interest charged loan or not. This observation is peculiar to Rogers (2002) opinion, when he stated that “it seems clear that the problem with funding SME’s is not so much the source of funds but the accessibility.
3. Table 3 revealed that entrepreneurs are to select certain sources of funds that are interest free to finance their businesses, so that they would not pass through stress and sleepless nights. This will enable them sustainably, groom their business over time. This is the view of Fisayo (2011) when he stated that many new businesses have died off within their first year of establishment due to lack of sustainable capital funding and then advised that entrepreneurs especially, those in the grass-root must source funds that will not give them sleepless night over repayment since bank loans in Nigeria are not accessible to new start ups but are only available to established and bigger businesses who have collateral and visible cash flows. Jerry Anderson (2013) in his opinion supported Fisayo’s views by adding that entrepreneurs must select the sources based on their personal financial standing and the best source that meet their needs. The implication is that entrepreneurs will be able to gradually groom their businesses, since all proceeds are put back into the businesses, no repayment of loans. Thus, entrepreneurs are not under pressure. This means that the growth and development experienced in the business will be sustainable.

Conclusion
Raising finance to start up a new business and to continue operation is a very important area to be considered by an entrepreneur wishing to own a business. It is imperative to note that the type of business an entrepreneur wish to engage in determines the type and extent of finance that is required. Entrepreneurs, must especially, those in the grass-root need to apply the ingredient of patience when going into a business venture. They should take time out to plan over a reasonable period to gather money such that if the need be to get extra fund it will be appreciably curtailed to a non interest loan, such as that of osusu; Entrepreneurs or new start ups should start from a non capital intensive venture so that, the business could be groomed to maturity over time.
It is also noticeable among small scale business operators to be quick at wanting to begin to enjoy profit in business so early, this showed not be in the need plough back initial profits into the business for sustainable growth and development. This can be achieved through self discipline on the part of the owner.
Fisayor’s source of finding is peaceful though, may not be very large. Entrepreneurs are to start from somewhere manageably controllable and grow until the business is strong enough to obtain loan such that repayment will not lead the new business into bankruptcy.

Recommendations
Almost all businesses started small and grow into big cooperations. Entrepreneurs need not to engage in what may worsen their financial situation. Thus will be better to combine a few sources of finances that are more relaxed; such ones as stated by Fisayor. This kind of combination of funding will keep them relaxed and focused than engaging interest charged loans that result to sleepless night and eventually not be able to sustain the business.
The researchers thus recommend that:

1. New beginners should cultivate the attitude of setting a time to save toward the establishment of business and not to rely on borrowed finance.

2. New entrants should understand that establishing a business, no matter what the size, is a long time issue and apply the ingredient of patience and not being in hurry to enjoying profit.

3. They should endeavour to select sources that are interest free and exercise patience for the business to grow into maturity before loan may be employed.

**Gap in knowledge**

From extent literature scholars have informed about available sources of funds. It was also gathered that people are well informed about available sources but accessibility has become a daunting task, this paper work seem to enlighten entrepreneurs to save money over a good period of time to realize good amount of finance needed for the business in sight, they should apply the ingredient of patience in running the business and not to be quick at engaging profit for personal use but to put back such gains. This, in no doubt, will result in a sustainable growth and development of the Business venture.

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