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IMPACT OF ENTREPRENEURIAL FINANCE ON BUSINESS START-UPS IN RIVERS STATE, NIGERIA

Emenike, Boniface
Department of Accounting,
Federal Polytechnic of Oil and Gas,
Bonny, Rivers State, Nigeria.
+2348036452888
E-mail: bonmenyke@gmail.com

Abstract:
The use of entrepreneurial finance has been on the increase to add value and apply resources allocation to new ventures.The study is as survey design. This paper investigated the entrepreneurial finance on business start-ups in Rivers State, Nigeria. The study hinged on "Agency Theory." Data and information were generated through disseminated questionnaires and using face-to-face hang delivery,e-mails and social media (whatsApp). Answers to research questions were analyzed using descriptive statistics of frequencies, tables, mean, while Chi-Square was adopted in analyzing the hypotheses. Result showed that there no significant relationship between new start-ups and level of initial funding capital of venture start-ups in Rivers State. More funding source of start-ups is through credit card borrowing. Lifestyles of managers of new start-ups are responsible for the non-expansion of the sector. The paper recommended that there is the need for government through financial institutions to improve the quality of start-ups' for small and medium scale investment projects, especially the riskier start-ups. And financial institutions should assist by stepping into due diligence by investors to ensure that funded start-ups are properly managed and reduce investors' reckless lifestyles.

Keyword: Impact, Entrepreneur, Finance, Informal Sector, Development, Nigeria

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Introduction

Entrepreneurial Finance is becoming a global concept which scholars are cueing in to make a living. It has been considered as an innovation that is assisting young entrepreneurs by developing template for various small scale businesses. In this century where there are more competitions in diverse business areas, star ups are being challenged by those in bigger businesses. This made it necessary for encouragement to be received from relevant stakeholders in the field of entrepreneurship development. Financial outlay is one of the important decisions young entrepreneurs must overcome as they venture into business. Since old venture are quiet different from new ones. It is therefore of great importance to help the younger businesses to overcome this fear knowing their contributions to the economy (Cosh, Cumming& Hughes,2009).Entrepreneurial Finance makes financial decisions for young venture or start-ups. The reason is that start-ups must be made to understand various ways of sourcing funds and how to manage funds and other business resources. The most important is deviation from business expenditures which has crippled many businesses. The younger ventures need be made to know that as new business there expenditure channels that are not necessary if the business must grow.

To Leach and Melicher (2010) entrepreneurial finance is the utilization of techniques of finance and principles in the planning, funding and valuation of entrepreneurial venture funding operations with emphasis on financial management through entrepreneurial process. On the other hand, operators of entrepreneurial finance are involved in the business of earning their incomes from preparing feasibility reports, showing projected incomes and expenditures, projected inclusive of all cost of starting a new business such as the sunk costs or irrecoverable cost found within the cost of acquiring sites; locations, offices, land, agency fees, insurance policies, consultancy fees, registration of business name and premises, certificate of occupants and others. These may constitute initial expenditure for the start-ups and must be prepared by the entrepreneurial finance consultants on a fee. One would therefore consider entrepreneurial finance as the study of resource allocation and values applied to new business ventures.in this direction, entrepreneurial finance attends to the question of how much initial capital should be raised, when and from what sources, the value of the business venture or start-up and the type of decisions that should be taken at both initial and exit period of the business (Cumming, 2017).

Statement of Problem

The growth of economies in this century has been as a function informal sector participations. Over the years, government and corporate organizations have continued to emphasize on the need to embrace self-employed economic activities by either learning skill or starting any small scale business. In every start-up business, maximum gains (profit) are expected to justify the capital invested while the net profit and efforts provided (Allen & Thomas, 2007). Every aspect of preparation incurs costs. Start-up capital is sourced from within the individual through personal savings, family. Government in her effort to finance small and medium scale businesses, take the teeming unemployed youths out of unemployment, created several institutions; community Bank, Nigeria Industrial Development Bank (NDIB), Nigeria Agricultural Corporative Bank (NACB) and others. Out of 80 million youths who represents 60% total population of Nigeria up to 64 million are (Adejoh, 2013). In spite of government growing efforts in financing SMEs, evidence about the use of opportunities provided by these financial agencies remains patchy. Friends or from external sources all are in effort to build investment.

There entrepreneurship experts ready to offer expert advices to young business start-ups. Observations reveal that the laxity and non-performing small-scale businesses show that entrepreneurial experts are not being utilized. Considering the opportunities offered by the presence of entrepreneurial finance to reduce the losses incurred out of ignorant by business start-ups, the question raised is how well has entrepreneurial finance helped in the reduction of failures of young start-ups? Whether start-ups are utilizing the presence of entrepreneurial finance is the gap this paper investigated.

Purpose of the study

This paper investigates the impact of entrepreneurial finance on informal sector development in Rivers State, Nigeria. Specifically, the paper lays claim on examining issues not limited to; (i) types of entrepreneurship start-ups (ii) sources of funding to young business ventures and (iii) utilization of entrepreneurial finance opportunities by young business start-ups.

Research questions

Answers to the following questions assisted to resolve doubts on theimpact of entrepreneurial finance on business start-up. The following questions were raise; (i) what is the extent of entrepreneurship start-ups in Rivers State? (ii) To what extent are the sources of funding to venture start-ups in both less and highly populated areas in Rivers State? (iii) What is the extent of star-up ventures in both trading and manufacturing business start-ups in Rivers State?

Study Hypotheses

Investigating theimpact of entrepreneurial finance on informal sector development in rivers state shall be tested with the following hypotheses; (i) there is no significant difference in relationship between entrepreneurial start-ups in Rivers State. (ii) There is no significant difference in sources of funding to venture start-ups in both less and highly populated areas in Rivers State. (iii) There is no significant difference in star-up ventures of both trading and manufacturing business start-ups in Rivers State?

This paper focused on the applications of entrepreneurial financing practices on the growth and performance of small and medium scale business start-up in Rivers State, Nigeria. The Entrepreneurial finance expert has the potential of structuring the operational framework of young business ventures for maximum performance, mostly in suggesting best and cheapest and alternative sources of funds.

Literature Review

Conceptual Underpinning

Entrepreneurial Finance;

Entrepreneurial Finance concept has generated lots of interest among scholars as a stock in trade of entrepreneurship development. From the definition of Gumpert (2002), entrepreneurial finance is the process of taking financial decisions for young enterprises. It outlines the nitty-gritty in setting a new venture which value of the business, the required initial capital based on the type of business intention and cost of raw-materials. Fayolle (2002) pointed out that entrepreneurial finance has to do with resource allocation to various aspects of business start-up, be it trading, consulting, manufacturing and others. It disaggregates the expenditure outlays and the funding patterns finding sources and period of Return on Investment (ROI) of the business. It offers thebusiness venture owner the opportunity of estimating the quantity and timing on money required to begin businesses and

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sustain it. It is left for the entrepreneur to forensically determine whether to invest in such business or not.

Business Start-up;

Every business at its initial stage is a start-up. Business ventures graduate to small-scale business after 3 to 5 years. The owner considers his location and targeted customers. Startups are financed by the owners. It is usually an online business that easily gets fast to intended customers. The cost of starting a start-up venture is usually considered a smaller amount. Startups adopt efficient ways of reaching their customers since their targeted customers are few. They may adopt better technology in their advertising and marketing approaches. However, small scale business may be a corporation, company with fewer employees (Brown, Mawson, Rowe, & Mason, 2018).

Feasibility Study

Feasibility Study is a proposed business survey report that determines the strength and practical weakness of a venture. It be an intended branch of a business or a new innovation. The business could also be a startup (Colombelli & Quatraro, 2017).The most weighing part of the expenditure in a new project found in a feasibility study beside the fiscal infrastructure is the irrecoverable costs or sunk costs such as insurance, agency fees, surveying, community fee, advertisement and others. These costs are not captured in the expenditures that determine the cost of product to be produced or sold be the firm. Professionally, a good feasibility study must contain the following; (1) cost of raw-materials (in the case of manufacturing or production), (2) running and other overheads expenses up to when income will start coming into the business. (3) cost acquiring an office or site. (4) Office furniture (5) utility bills and others.

Entrepreneurial Finance Definitions

It was not until early 1990s that behavior in the finance market and financial intermediaries in allocating funds to start-up companies or small developing companies has yielded so much interest among scholar. Then came the concept “entrepreneurial finance”. Since then, the concept “entrepreneurial finance” has been given several definitions by scholars in the academia;

- ”To (Denis, 2004), it is fulfilling external financing sources to fund a company in the start-up stage.
- Mitter and Kraus, 2011) posited thatit is alternative financing that can be used by MSMEs to create business opportunities through creating an organization and values. Fund, business, fund provider.In an alternative definition,
- According to Koch *et al*., 2010),it is a financing scenario in a pioneering business (start-up business) and a new company that is growing (growth of a young company).
- Markova and Petkovska-MirČEvska, (2010), it is informal venture capital (business angel) that can be utilized by new small and medium enterprises as an alternative financing source. In a further definition, Markova and Petkovska-MirČEvska, (2010) posited that it is a study about when and how much funding should be collected, how to increase opportunities forfinancing access success, the efficient allocation of funding sources to create business opportunities, and how to make decisions to solve financial problems.

- Chemmanur and Fulghieri, (2014) saw it as the role of an intermediary financial institution to assist in financing small businesses and start-ups as well as supports product market innovation, in order that it creates future business growth.
- From the word of Urim and Imhonopi, (2015), it is financing which is in the form of debt and/or one's own financial capital, whether formal or informal, that is provided by an institution or non-institution that is able to be accessed by a new business, a developing business, or an established business.
- Giordani, (2015), it is "financing from a venture financier or angel investor for a new business project that is classified as risky and has a high prospect of success."
- Klonowski, (2016) defined is as"an academic discipline which teaches about mobilizing financialresources, allocating resources, managing risks, optimizing financial contracts, as well as creating and improving value in a small business entrepreneurial context."
- Wu *et al*., (2016), it is "a field which studies about fulfilling and allocating funds for new business through innovative activities."
- Paré, Rédis, andSahut, (2009), it is "alternative financing that can be used by SMEs to create business opportunities through creating an organization and values".

Categories of Business Start-ups
In business start-ups, there are several categories of start-up in both small and medium enterprises both at manufacturing and industry categories or level. These categories are not limited to the following;

1. *Buyable Start-ups;*

This category is built soft/web or App development. They are not built be multi-billion company. They are usually technology focused. They are companies built not to operate for a long period but with high growth potential.

2. *Scalable Start-ups:*This is a typical targeted at generating possible highest Return on Investment (ROI). It involves good market research to identify areas to be exploited and targeted opportunities. This type of start-up can be found are facebook, twitter handle, WhatsApp, Google etc. Their target is to dominate existing market in that sector.

3. *Social Entrepreneurship Start-ups:* This type of start-up is not developed for wealth purposes. They created for social and environmental impacts. The categories of businesses found here are not for large profits. Some time they are seen as non-profit organizations.
4. *Offshoot Start-ups;* they are not built from the scratch rather they are branch off out of a bigger business. They may be established in order to expand a business outfit or to enter a new line of business. Another reason could be to disrupt another business where monopoly is operated by another company. For instance, if another company decides to open a cement factory to compete with Dangote cement because the price of cement has gained the market and its price is not reducing soon.

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5. *Social Start-ups:* This type of start-ups is money hungry. It is known to be a charitable, non-profit and Philanthropic organization set up to do good. Their operations are mostly sponsored through donations or grants. Example can be drawn from motherless babies' homes, home for the disabled and others.

6. *Large Company Start-ups:* As a result of technology, larger companies need to build up their strategies to survive. They have the financial backings of already existing bigger parent companies that are successful. As offshoots, they aim at growing faster to the highest limit. Backed by the support and capital of the already successful company, these offshoot startups aim at product diversification to meet targeted potential customers and can easily adapt to ever changing markets.

7. *Small Business Start-ups:* Small business start-ups leverage on ever evolving market opportunities to grow but not without hard work. Their projection is longevity and not scalability as they do not have financial backings of any parent company. Their satisfaction of the market is their profit base as they gain more customers in the market. This type of start-up is found among family-owned businesses.

Entrepreneurial Financing Principles

New businesses require financial capital to develop opportunities, start business ventures, and create value. However, entrepreneurial finance requires certain Entrepreneurial Finance is guided by certain operating principles not limited to; (a) real, human, and financial capital must be rented from owners. (b) Risk and expected reward go hand in hand. (3) While accounting is the language of business, cash is the currency, (4) New venture financing involves search, negotiation, and privacy, (5) venture's financial objective is to increase value. (6) It is dangerous to assume that people act against their own self-interests and (7) venture character and reputation can be assets or liabilities.

Sources of Funding Business Startups

The decision to borrow fund will be acknowledged before intending entrepreneur decides how much to borrow and where to get the funds. The presence of a business in a particular location is a function of availability of fund to make it work. There are numerous sources of raising funds for small business startups. These monetary sources are not limited to;

(a) *Bootstrapping;*these is a situation by which start-up is financed through personal savings. The advantage is that the owner will continue to retain the business as he is the soul share holder in the he does not need to give out or relinquish powers/control toany one in then me of shareholder. He is the sole owner of the business because he brought the whole amount invested in setting up the business. Again, delaying payments to partners or offer stakes in their venture to individuals in return for their services could also be regarded as bootstrapping.

(b) *Friends and Family members:* Funds can be realized from family members bringing or investing their money together to venture into any business. In this case, it could be called family business or just member(s) of the family being partners or jointly owing a business.

(c) *Small Business Grants:* Many a times government may decide to empower the youths or unemployed with meager amount to enable them start their own personal businesses without collateral, charging interest and even becoming a partner in the business.

(d) *Loan or Lines of Credit:* This is small cash infusion got from work place or administrative loan from office corporative with lower repayment interest, usually guaranteed by government. It assists staff willing to venture into private entrepreneurship business.

(e) *Incubators:* This is office staff contribution of resources for a fellow employee to rent spaces within the organization to start up a business.

(f) *Angel Investors:* These are old investors who mentor new investors to ensure they actualize their dreams. Angel Investors not only invest in the new business but also known to guide the entrepreneurs in actualizing a successful business model.

(g) *Venture Capital:* This type of funding differs from Angel Investors because while Venture Capitalists invest to give back to the society, Angel Investors invest in new businesses with funds they accumulated from their private investors. Venture Capitalist acts as representatives with capital to give for profit purposes than funs as in the case of Angel Investors. Venture Capitalists are in the business of investing for profit and hence, need to generate returns on their capital.in clear terms, venture capital is the pool of equity capital or contribution of professionals investors, given to investor on a fee.

(h) *Bartering:* In Bartering, goods or services are exchanged for cash to raise fund. Intending investor may decide to manage an investment for the owner in order to raise fund for his/her own business.

(i) *Form Partnership:* Other established firms may develop interest to help a startup to manage and develop the latter's product and go a step further to fund and make actualized.

(j) *Commit to a Major Partnership:*Most customers would tradeoffs by covering the investors' products. This involves buying your products before others as dedicated support. Large companies can decide to clear all the products in other to help the entrepreneur raise money to expand his business. This is like a tradeoff short-and long-term benefits.

(k) *Buyout:* When an entrepreneur or investor sales his/her stake in a firm in order to raise fund to start his own business. Equity firms are taken in new businesses where the entrepreneur has more stakes, especially where the assets can generate high Return on Investment (ROI).

(l) *Crowd-funding:*Funds are raised via contributions from several investors or purchasers. Crowd-funding exist in three (3) aspects; Indiegogo, Kick-starter and loans. This is a pre-order/donations.

Theoretical Framework

Agency Theory

This work is predicated on "Agency Theory" as cited in Jensen & Meckling, (1976). The theory assumed that there is a relationship between the Agent and the Principal. The theory explained the implications of separating financial control from financial ownership. It is of the view that at the formative stage of the business, there different costs; development and creation of the business which is before and after investment period of the business. The theory further explained that during the phase of pre-investment, the costs are higher than the post-investment. The reason is that during the pre-investment phase, there are divergent objectives.The "investor" and the "contractor" are the parties involved. While the investor is focuses on due diligence to do the right thing, the contractor is after the successful performance of his firm. At this phase, the agency's risk is limited to his agreement with shareholders and other procedure to be followed.

Flaws of the theory are its limitation to post-investment period and its concern with investor's objectives than contractor's vision and motivation.

.Empirical Review

Several Scholars have conducted studies on 'Entrepreneurial Finance" with attempt to clarify the meaning of the concept; Fraser, Bhaumik, & Wright, (2015): Fraser, et al, (2015) and Wang, & Thomas, (2020). Buttressing the discussion is the work of Mustapha & Tiaty (2018) in their study on The Entrepreneurial Finance and the Issue of Funding Startup Companies using exploratory approach to look at what previous studies have found concerning entrepreneurial finance. They anchored their study on Agency Theory. They made presentations of various ways of financing start-ups. They found that little amount was dedicated to founding early business ventures. And there are approaches to funding start-ups from corporate finance concepts. Maria, & Muharam, (2018) examined the supply side of entrepreneurial Finance Perspective and the theory behind it as a new concept, and other possible relatively more approaches. They examined the crowd-funding as the financier or capitalist investor at the supply side. Angel investors as well as fund providers. Using meter analysis in integrating synthesized studies with better descriptions and reconceptualization based on previous studies found there more studies to be conducted on the area of entrepreneurial finance mostly from the entrepreneur's management small scale development.

In a further study, Auken and Neeley, (1998) earlier conducted a study on evidence of bootstrapping financing among small start-ups as among the sources of funding small business venture. They utilized descriptive analysis of frequency counts, mean and tables with Chi-Square to test the hypotheses. The study found that there was no significant difference between percentage located firms in the communities. The study also found the more than ten thousand respondents utilized bootstrapping in financing their start-ups. Fraser, Bhaumik, & Wright, (2015) inquired into what we know about EntrepreneurialFinance and its Relationship with Growth using existing literature. They felt there is the need to investigate into the supply side of financing investment. Objective of the paper was to show that relationship does not exist between funding gaps and performance of businesses as a known approach to financial constraint identification.The paper suggested for disentanglement of financial constraint from cognitive in order to know the need to apply financiers in enabling growth of start-ups. And agenda for future research in addressing existing gaps were suggested.

More discussions into entrepreneurial finance concept were advanced by the study conducted by Malki, Uman, &Pittino, (2020), adopting SWOT analysis and unit analysis. The paper first identified existing threats weaknesses and gaps in the discipline which was indication for further researches opportunities in that area. Advance inquiry into the area was suggested. In a study by Angerer, Brem, Kraus & Andreas, (2017) predominantly utilizing scientific knowledge, surveyed the idea behind equity crow-funding success factors in German star-ups on nine platforms, it was discovered that start-ups in Germany advantage crowd-funding due to opportunities and its market effects. Again, it was found that both business model, crowd-

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funding, pre-campaign period, advertising activities and during campaign activities have a significant effect on start-ups in Germany. Further study into this discipline was suggested.

In a study of start-up embedded in networks with investors and researchers was examined by Wang& Thomas, (2020) as a new venture that couples between financing and innovation. They opined that innovation is the drive for business start-ups negatively unrelated or related to funding. Samples of entrepreneurs were globally interviewed sampled represented entrepreneurs. The paper found funding and innovation loosely or tightly coupled which is increased as a result of researchers and investors' networking but aided by synergy. Embededness of coupling encourages start-ups capabilities. The paper contributed to capability building and supported theorizing. Studying entrepreneurial finance as a new concept in research, Bellavitisa, *et al* (2017) explanatorily examined emerging funding sources for business start-ups and their contributions to entrepreneurship literature and theories. Traditional funding sources and challenges bedeviling for business start-ups were outlined. The paper outlined foreseen difficulties to traditional sources of funding for entrepreneurs with areas of further study. An empirical evaluation of small and medium enterprises equity investment scheme in Nigeria with Nasarawa state as a case study was studied by Terungwa, (2011) adopting mean scores and standard deviation for data analysis. The paper revealed that there is no significant difference between loan accessing conditions and amount of credits disbursed by banks which explained that credits were not accessed by small-scale entrepreneurs. Again it means that formal funding options could not significantly impact on the growth of small and medium scale enterprises in Nigeria. The paper suggested for more holistic strategies of disbursing loans to investors.

Methodology

This work is a survey carried out in Port Harcourt, Rivers State, Nigeria. The reason for choosing Port Harcourt for the study of start-up venture is because as an urban city, most of the businesses studied need electricity to operate as it would reduce expenditure on power. This paper adapted and modified the work of Auken & Neeley, (1998) to suit the objectives and it worked.

Randomly selected was a sample of 600 business start-ups within Port Harcourt city. Well-structured questionnaires were developed in 3 section in a 4-point Likerts scale fashion; demographic characteristics, start-up capital in percentage and challenges in raising capital to state business. The questionnaires were distributed by hand delivery, e-mails and social media (whatsApp). Returned sample sizes of 400 correctly filled questionnaires were utilized for analysis. Answers to research questions were analyzed using descriptive statistics of frequencies, tables, mean, while Chi-Square was adopted in analyzing the hypotheses.

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Table 1; Demographic Characteristics of Respondents by Type of Start-ups

Descriptions	Frequency	(%) Percentages
Welding works	42	10.5
Ice block production	57	14.2
Fashion Designing	83	20.8
Hair Dressing Saloon	33	8.2
Food vendor	36	9.0
Printing Arts	41	10.3
Video coverage	28	7.0
Photocopying Business Centre	39	9.7
Furniture Business	26	6.5
Event Planning and make-up Artist	15	3.8
Total =	**400**	**100**

Author's Computation of Field Data, 2021

Analysis if demographic characteristics of respondents by start-up type in table 1 revealed the various start-up venture businesses engaged by respondents. Fashion designing seem to be more in the minds of young men and women with 83 and reflecting 20.8 per cent. This is followed by Ice Block production 57 start-ups representing 14.2 per cents. The least are furniture, hairdressing and video coverage with 26, 33, and 28 representing 6.5, 8.2 and 7.0 respectively. They constitute major trades that employ majority of our youths out of the labor market.

Table 2; Age Characteristics of Respondents

Age (in years)	Frequency	(%) Percentages
15 – 18 years – 4	107	26.8
18 – 30 in years – 3	121	30.2
31 – 45 yrs – 2	133	33.2
45 and above (in yrs) -1	39	9.8
Total =	**400**	**100**

Author's Computation of Field Data, 2021

In the agecharacteristics of respondents in table 2, it was found that children within the age bracket of 15 to 18 have become aware of being independent and of entrepreneurial spirit. This is shown their response of 107 reflecting 26.8 per cents. This is followed by respondents between ages 18 to 30 with 121 reflecting 30.2 per cent. Those within the age of 31 to 45 seem most active in business with 133 showing 33.2 per cents. It will be crisis if nothing is done by any young man or woman to minimally if not effectively end unemployment and fight poverty.

Table 3; Educational Characteristics of Respondents

Response	Descriptions	Frequency	(%) Percentages
Large Extent -4	Primary Education	113	28.2
Moderately Extent- 3	O' Level Certificate	102	25.5
Slightly Extent – 2	B.Sc.and above	101	25.2
No Extent - 1	M. Sc. and Above	84	21.0
	Total =	**400**	**100**

Author's Computation of Field Data, 2021

Educational qualification is important if anyone must interact widely especially do business with people of diverse origin or nationality. Analysis in table 3 explained the educational

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levels of respondents. Majority of the respondents d=had primary education with 113 representing 28.2 percent. This is followed by respondents with ordinary School Certificate, with 102 showing 25.5 per cent. They are the highest in the society, struggling to get admission into tertiary institutions. Those with B. Sc. Degree were found to be 101 representing 25.2 per cents and almost within the size of respondents with ordinary certificate. They are graduates perhaps without job yet. They needed to get paid jobs but could not stand the challenges of unemployment and decided to venture into private life. The least were people with send M. Sc. Degree with 84 representing 21.0 per cents. These may be people maybe, were about to stabilize in start-up business, whose start-up venture may be about to inter small scale after 3 -5 years of establishment.

Table 4: Amount Required as Capital for Start-ups

Descriptions	Amount (₦)	(%) Percentages
Welding works	175,000	7.9
Ice block production	1,450,000	65.7
Fashion Designing	57,000	2.6
Hair Dressing Saloon	47,000	2.1
Food vendor	35,500	1.6
Printing Arts	41,000	1.9
Video coverage	78,500	3.6
Photocopying Business Centre	83,500	3.7
Furniture Business	86,000	3.9
Event Planning and make-up Artist	155,000	7.0
Total =	**2,208,500**	**100**

Author's Computation of Field Data, 2021

Amount required as start-up capital to start a new business vary according to the type. As shown in table 4, the selected start-up ventures had varying costs. A disaggregated cost of venturing into a start-up business revealed that the highest Ice block production N1450, 000, reflecting 65.7 per cents. This is followed by welding works with N175, 000 as start-up capital reflecting 7.9 per cents. Sequentially, furniture, photocopying (business centre) and video coverage were N86,000, N78,500 and N78,000 reflecting 3.9, 3.7, 3.6 per cents respectively. The least is printing with 41,000 reflecting 1.9 per cents.

Table 5: Availability of Start-up Sources of Funding

Sources of Funding	Available & Adequate	(%)	Available but Inadequate	(%)	Available but not Adequate	(%)	Not Available	(%)
Personal savings	52	13.0	36	9.0	23	5.8	54	13.5
Inheritance	19	3.3	61	15.2	46	11.5	29	7.2
Venture Capital	31	7.8	42	10.5	33	8.2	34	8.5
Borrowing Against Stock	12	3.0	54	13.5	55	13.8	51	12.8
Lease	36	9.0	49	25.2	64	16.0	23	5.8
Credit Card	42	10.6	28	7.0	69	17.2	61	15.2
Sale of Personal Asset	71	17.8	37	9.2	20	5.0	44	11.0
Supplier Credit	75	18.8	46	11.5	24	6.0	37	9.2
Home Equity	34	8.5	33	8.2	44	11.0	40	10.0
Manufacturing Financing	28	7.0	14	3.2	22	5.5	27	6.8
	400	**100**	**400**	**100**	**400**	**100**		**100**

Author's Computation if Data, 2021

Availability of funds for start-ups was analyzed in table 5. The highest 75for supplier creditshowed that there were available and adequate personal funds for business. This response reflected 18.8 per cents.This is followed by sale of personal assets to raise fund for venture start-up with 71 reflecting 17.8 per cent. Sequentially, others are credit card, lease and home equity reflecting 10.6, 9.0, and 8.5 per cents respectively.

In the same vain, for responses to not available were people who raise their start-up fund through credit cards showing 61 and reflecting 15.2. They sought for funds but to not avail and resorted to approaching their bank to issue them credit card as to raise fund through credit card (overdraft). The least is those in manufacturing with 27 showing “not available” reflecting 6.8 per cent.

Table 6: Modern Start-up Financing and size of city where Start-ups are sited; (Chi-Square Test (n =400)

Variable	Modern capital less than 60% of Start-up Capital	Modern Capital less than 60% of Start-up Capital	X^2
Ownership Type			
Sole Proprietorship	65.6	24.1	
Other companies	87.4	8.0	60.73*
Geographical Size of City			
<20,000 persons	75.7	12.2	
>20,000 persons	74.6	13.2	0.032
Type of Start-up			
Trading	86.3	1.5	
Manufacturing	64.5	13.3	7.018*

NOTE; Significant at 1%

Analysis and Discussion

Table 6 revealed results of chi-square analysis. It shows the use of venture capital differences according to the type of venture start-ups, size of locality of about 20, 000 persons of business and type of start-up (trading or manufacturing).The discussion began with a higher percentage of organized company which started as private enterprises using modern start-up capital than businesses formed as other levels of enterprise with huge start-up capital. The result supports this relationship analysis at 1% level of significance in which huge percentage of 29.1% then 7.6% of new ventures in low populated areas got greater 50% start-up capital from venture capital.

The following issue is that greater percentage of new start-ups in low populated areas use venture capital than companies in highly populated as venture capital is made up of higher percentage of contributed funds. Analysis results in table 6 failed to support the relationship with approximately 29.1% of new start-ups in highly populated areas with 20,000 populations.The next stage stated that lower percentage of trading and manufacturing companies us venture capital than others especially when venture capital is more than 59% start-up capital. The expected relationship of 1% significance was supported by the computation in table 6. With approximate capital of 1.5 and 13.3 per cents respectively, which are less than 59 and 29 per cents respectively.

One of the challenges of securing start-up capital is the doubt of the fund provider about possible viability of the investment. Because investors are susceptible doubtful behaviors as

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observed by (Hellman, & Manju, 2002), is heightened by inseparability of business and owner.The pitfall is the likelihood of combination of personal and investment finance sources more than companies put up. The beginning of the investment experiences high expenditures with low revenue and profit margin.Attraction of capital is a function of display of high managerial ability to repay as at when due and on time by the entrepreneur but this demonstration is difficult when external debt is involved. On the other hand, according to traditional theory of finance, "financial decisions are based on whether the investment is expected to earn a market determined required rate of return. Providers of capital, who are assumed to be risk averse, evaluate the potential returns relative to the risk characteristics of the investment." Finance providers rely on the ability of borrower providing collateral as security over the borrowed capital.Another fact is that the number of intending investors using venture capital as source of start-up capital in various rural areas explains capital market efficiency in rural neighborhood.

Conclusion

Nigeria needs the informal sector to grow the economy. However, the subsector is vital and is a springboard to industrialization of the economy. This paper has inquired into the development of informal subsector and discussed the demographic characteristics of the players in the sector with emphasis on the type of start-ups, age of respondents, educational level, various funding channels and start-ups initial capital. Result showed that there no significant relationship between new start-ups and level of initial funding capital of venture start-ups in Rivers State.More funding source of start-ups is through credit card borrowing. Lifestyles of managers of new start-ups are responsible for the non-expansion of the sector.

Recommendations

The paper made the following suggestions;

1. There should be a regulatory framework to enable for the development of instruments that can encourage start-ups in various business ventures.
2. There is the need for government through financial institutions to improve the quality of start-ups' for small and medium scale investment projects, especially the riskier start-ups.
3. Financial institutions should assist by stepping into due diligence by investors to ensure that funded start-ups are properly managed and reduce investors' reckless lifestyles.

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