THE EFFECT OF INFLATION ON ENTREPRENEURIAL DEVELOPMENT IN EBONYI STATE, NIGERIA

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Abstract

Over many years, the business environment has seen a steady increase in the prevalence of entrepreneurship. It may benefit national economies and is frequently considered one of the most important engines of economic growth and the creation of employment opportunities. It is, therefore, essential for the government and policymakers to understand the potential reasons for the diversity in the development of new businesses to assist them in adopting policies that are acceptable to support the creation and development of new businesses. Recent years have impacted entrepreneurship development due to Nigeria's unstable economic reality, characterized by financial crises. Thus, this paper investigated the effect of inflation on entrepreneurial development among youths in Ebonyi State, Nigeria. A convenience sample of three hundred and twenty-two undergraduates pooled from three tertiary institutions in the state participated in the study. The study result indicates that the assumption that the inflation would significantly and positively predict entrepreneurial development in Ebonyi State was confirmed at $\beta = .169$, $p < .05$. Thus, the R^2 indicated that the increasing inflation in the country contributes about 23.8% variation in entrepreneurial development in Ebonyi State, Nigeria. The study has implications for the development of entrepreneurship in Nigeria.

Keywords**:** Entrepreneurship, entrepreneurial motivation, rising inflation, youths

Introduction

Both inflation and the degree of uncertainty regarding future inflation play a significant role in determining financial stability and economic growth (Mandeya & Ho, 2021). Inflation is a significant macroeconomic problem that has consistently taken up most people's time and attention at major economic forums. Even though the monetary authority has implemented several different exchange rate measures, inflation in the Nigerian economy has not been able to be controlled in recent times. One of the most critical factors that play a role in the economies of different nations is inflation (Musarat et al., 2021). In general, the term "inflation" refers to a gradual decrease in the purchasing power of a given currency over a given period. Inflation is one of the most important macroeconomic variables that economic actors (including the government) fear the most (Inim et al., 2020). This is because inflation negatively influences the structure of production costs and overall welfare. Inflation is both the cause and the effect of certain actions taken by the government, which is a fact that can be found to be quite fascinating (Okoye et al., 2019).

Nearly every Nigerian has found the recent trend of rising inflation in their country and the widespread poverty that has resulted from it highly upsetting. As a result, inflation is possibly one of the fundamental accelerators of poverty and unemployment due to its effect on a person's ability to purchase goods and services. The headline inflation rate in Nigeria increased from 11.98 percent in December 2019 to 15.75 percent at the end of 2020, as indicated by the data provided by the National Bureau of Statistics (NBS). Despite this, it shot 18.12 percent in April 2021 before leveling off at 17.93 percent in May. Perhaps these numbers represent official statistics that can be relied upon. On the other hand, there is a growing concern that these figures significantly understated the inflation situation in the country. Numerous studies have investigated the impact of inflation on economic activities in developing nations and nations that are already developed. However, there have not been many studies on how this affects the growth of entrepreneurialism, particularly in Nigeria. This study looks at the relationship between inflation and the growth of new businesses.

Entrepreneurship entails starting a business that is profitable and beneficial to society. Learning about entrepreneurship is a lifelong process involving academic and informal education (Adefunke et al., 2020). It is an essential component of the business ecosystem that contributes significantly to economic growth (Bosma et al., 2018; Doran et al., 2018; Galindo-Martín et al., 2020; Hamdan et al., 2020; Huang & Chen, 2021; Ivanović-đukić et al., 2019; Mohammadi Khyareh, 2020; Stoica et al., 2020; Urbano et al., 2019; Zouita, 2021). Throughout history, entrepreneurship has evolved into a tool to help nations become more prosperous and advance their socioeconomic growth (Muhammad et al., 2020). The creation of jobs and the encouragement of the expansion of micro, small, and medium-sized businesses are likely the primary ways in which it contributes to the expansion and development of the economy. The spirit of entrepreneurship is an opportunity for young people across various economies, a demographic that frequently faces a labor market with unemployment rates in the double digits (Sambo, 2016). Nevertheless, engaging in entrepreneurial activity requires more motivation than other types of work.

Given the significant impact that new businesses have on the economy of the entire world, it is of the utmost importance to understand the driving forces behind entrepreneurial behavior (Murnieks et al., 2020; Purwana et al., 2018). Entrepreneurial motivation is an essential component of the entrepreneurial environment that has attracted colossal research attention in recent decades (Barba-Sánchez & Atienza-Sahuquillo, 2017; Bartha et al., 2019; Ephrem et al., 2021; Farhangmehr et al., 2016; Hassan et al., 2021; Mahto & McDowell, 2018; Malebana, 2021; Shi & Wang, 2021; Su et al., 2020; Wu & Mao, 2020). This phenomenon describes the process that activates and motivates a person to exert increased efforts to achieve an entrepreneurial goal. Nevertheless, entrepreneurial motivation reflects the forces or drives that exist within a person and affect the course of action, the intensity of that action, and the level of consistency that it displays. Motivation may be a psychological construct determining an individual's tendency to engage in activities associated with potential danger.

Evidence suggests that by working through various agencies, the Nigerian government has contributed considerably to fostering entrepreneurialism among young people (Omeje et al., 2020). Therefore, due to the increased emphasis placed on entrepreneurship and innovation in Nigeria, many young people in the country's southeaste*rn region have turned to self-employment and entrepreneurship. However, in recent times their entrepreneurial endeavors have been affected by extreme phenomena such as economic inequality and human capital flight, which in turn hurts the development of entrepreneurialism. In addition, experts have highlighted the multiple issues that constitute substantial barriers to the growth of entrepreneurship in Nigeria (Baba, 2013; Chidiebere et al., 2014; Duru, 2011; Elemure & Adeyeye, 2020; Ezeani, 2018; Kenny, 2019; Metu & Nwokoye, 2019; Odii & Njoku, 2013; Ofili, 2014; Ubogu, 2020). Despite this, the relationship between the sustained increase in inflation and the urge to engage in entrepreneurial activity has not garnered much study attention. Consequently, this provides the reason for the current investigation.

The present study

It is common knowledge that young people from Ebonyi State, located in southeast Nigeria, have an entrepreneurial spirit. Despite this, mounting evidence suggests that the proportion of them engaging in entrepreneurial activity has decreased in recent years. Even though entrepreneurial motivation refers to a psychological process, it varies depending on the person's perception levels and the reasons for the motivation. This is because not all of the motives may have the same degree of influence on the process. Thus, inflation, which has been in double digits since 2016, was driven higher by the coronavirus epidemic that has also induced a slump in the price of oil, Nigeria's main export, and weakened the naira currency. Given the low-growth and high-inflation backdrop, there is the possibility that entrepreneurial motivations are negatively affected among entrepreneurs. The primary objective of the present study is to investigate the impact of the rising inflation in Nigeria on the entrepreneurial motivations among the youth in Ebonyi State, Nigeria.

Hypothesis: *inflation predicts entrepreneurial development in Ebonyi State, Nigeria.*

Method

The present research was conducted in Ebonyi State, Nigeria, between January and March 2023. A convenience sample of three hundred and twenty-two (n = 322) undergraduates comprising males and females enrolled in different academic disciplines were chosen from different faculties in three public tertiary institutions in the states. The students were approached with the help of research assistants and asked to participate in the study. Those who consented and met the inclusion criteria were briefed on the study's purposes. Also, all ethical considerations were observed. After that, the study instruments were given to them to fill on the spot. A cross-sectional research design was adopted in the study.

Measures

The instrument for data collection in the study was a structured questionnaire. The questionnaire items were developed from the literature review and designed to ascertain relevant data relating to entrepreneurial motivation and perception of rising inflation on a four-point scale. The questionnaire was divided into two parts: A and B. Part A contains questions about entrepreneurial motivation, while Part B contains questions about the perceived effects of inflation. The scale's reliability was ascertained following a pilot study using participants outside the study population, and the Cronbach Alpha 0.89 coefficient was obtained, indicating that the instrument was reliable.

Procedure

Three hundred and fifty copies of the questionnaire were administered to the respondents by the researcher with the help of two research assistants, who were trained to administer and retrieve instruments from the respondents with courtesy. The researcher and research assistants visited the tertiary institutions and obtained authorization from the relevant authorities before the commencement of the study. Overall, 322 of the 350 questionnaires distributed were adequately filled and returned. Unfortunately, the remaining 28 copies of the instruments were either not correctly filled or were not returned. Hence, a total of 322 were used for the analysis**.**

Result

Table 1: shows a simple linear regression analysis for the predictive effect of inflation on entrepreneurial motivation.

	B	Std. Error	Beta	t	Sig.
(Constant)	1.87	.089		32.34	.000
Inflation	.96	.035	.169	35.071	.000
R^2	23.8				

As presented in the simple linear regression table above, the result indicates that the assumption that the inflation would significantly and positively predict entrepreneurial development in Ebonyi State was confirmed at $\beta = .169$, $p < .05$. Thus, the R^2 indicated that the increasing inflation in the country contributes about 23.8% variation in entrepreneurial development in Ebonyi State, Nigeria.

Discussion

The current study examined inflation's predictive role on youths' entrepreneurial development in Ebonyi State, Nigeria. The simple linear regression result found that the increasing inflation in the country significantly predicted the variation in entrepreneurial development among the younger population in the study parameter. Thus, the expectation that rising inflation in the country would substantially predict the variance in entrepreneurial development among the Ebonyi State of Nigeria youth was confirmed. This indicates that individuals who see new business ventures as being hindered by the persistent rise in inflation and its consequent effect on the nation's economy are likelier to have low entrepreneurial motivation than those who see entrepreneurship as a remedy to the growing effects of the rising inflation in the country. This is because individuals who see entrepreneurship as a remedy to the growing effects of the rising inflation in the country are more likely to see entrepreneurship as a remedy to the growing effects of the rising inflation in the country.

Even though the study's findings indicated that an increase in inflation was a factor in determining what motivates people to start their businesses, there have been contradictions in the relationship between inflation and entrepreneurship. In light of this, a plethora of research implies that an increase in inflation allows entrepreneurial endeavors (Sayed et al., 2014; Vidal-Sué & López-Panisello, 2013). On the other hand, prior research (Arin et al., 2015; Salman, 2014) found that rising inflation in any community could depress entrepreneurial enthusiasm since the business landscape is perceived to be riskier. This was the case regardless of whether or not the culture had a history of inflation. There is a possibility that inflation causes a rise in the costs associated with beginning a new business, which acts as a barrier to entrepreneurial activity. Additionally, increasing inflation rates have a detrimental influence on financing and, as a result, diminish the possibility of individuals starting their businesses (Singh & DeNoble, 2003). As a consequence of this, the relationship between inflation and entrepreneurialism can either be excellent or negative.

Conclusion

The purpose of this study was to investigate the impact that growing inflation has had on the likelihood of young people in Ebonyi State, Nigeria, to become self-employed business owners and to validate the hypotheses and present empirical data suggesting that growing inflation is a significant factor that may be responsible for the disparity in the rate of entrepreneurial development in Nigeria. According to empirical research findings, an increase in inflation is a fundamental macroeconomic indicator that significantly correlates with the growth of entrepreneurial activity. It would appear that this outcome is consistent with the findings that other empirical investigations have achieved. As a result, we can reach the following conclusion: the precarious state of the economy substantially impacts the dynamics of entrepreneurial motivation. Despite this, the study did not consider several other criteria for determining entrepreneurial motivation. This limitation highlights the necessity of conducting an additional study to investigate other significant factors that inhibit the entrepreneurial motivation of young people. Furthermore, suppose the intention (necessity vs. opportunity) behind an entrepreneur's actions is considered. In that case, the effects of inflation may have a distinct effect on the outcomes of the business decisions they make.

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