



EFFECT OF CULTURAL BUSINESS ENVIRONMENT ON ENTREPRENEURIAL INTENTION IN NIGERIA: A PROPOSED MODEL

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Abstract

With increasing awareness of the role of entrepreneurship as key in a comprehensive economic development framework, researchers in recent years have focused attention on it with a view to discovering the factors that promote its development. Previous studies have discovered that the first major step in the promotion of entrepreneurship is the formation of the intention to be an entrepreneur. It has also been shown that entrepreneurial intention is affected by environmental factors. Since most of the attention in previous studies has been given to environmental factors such as economic, political and psychological factors with little attention given to cultural business environment. The objective of this study is to propose a model that will examine the effect of cultural business environment on entrepreneurial intention in Nigeria. The study is guided by three objectives which center around the effects of cultural factors on entrepreneurial intention in Nigeria. Adopting a critical review of literature methodology, a conceptual model was proposed. The researcher recommends that further study be conducted to test adequacy of the proposed model.

Key words: Culture, Entrepreneurial, Ethnicity, Region, Religion.

1. Introduction

The role of entrepreneurship in the economic development of any nation cannot be overstated. This view has been supported by scholarly works of researchers and theory (Richmell, Emmanuel & Augustine, 2018; Bagobiri & Yaroson, 2016; Eduardo & Manoj, 2017). It is considered as a vital source of innovation, employment and economic growth (Thornton, Domingo & David, 2011). Entrepreneurship has become a major avenue for gainful employment with the capacity of improving the economic status of people (Mbiti, Mukul, Mung'atu & Kyalo, 2015; Amakiri, Woyengidubamo, Ijiekumhen & Osaze, 2017). Globally, there is an upswing in the acceptance of entrepreneurship as a result of its positive impact on generation of job opportunities and wealth creation (Akpor-Robaro & Oghenero, 2012; Siyanbola et al., 2012). In spite of the emphasis and effort by all nations to encourage the development of entrepreneurship, entrepreneurial intention has never been the same for all countries. Great differences exist among nations and even among sub-societies in nations, in terms of entrepreneurial development. Consequently, entrepreneurial intention has been related to environmental factors (Akpor-Robaro & Oghenero, 2012).

The Nigerian society and environment have been widely and greatly discussed with regard to entrepreneurship. The common view is that entrepreneurship situation in Nigeria is greatly affected by the environment. Specifically, it is argued that the Nigerian environment has great influence and impact on the emergence of entrepreneurs and entrepreneurial behaviour. The concept of environment has been narrowed in most cases to infrastructures of physical and economic/financial



nature which are based on political and national economic decisions by government. This accounts for the reason that government is often blamed for low entrepreneurial motivation and entrepreneurship development in Nigeria.

In the views of Akhter and Sumi (2014) and Thornton, Domingo and David (2011), although there has been considerable research based on psychological and economic approaches to the development of entrepreneurial intention, the influence of cultural factors has not attracted the much needed attention from researchers. More so, some of the few literatures that investigated the effect of cultural business environment on entrepreneurial intentions arrived at contradictory findings as per the effect of cultural environment on entrepreneurial intention (Eduardo & Manoj, 2017; Siyanbola, *et al.*, 2012; Kro & Ratan, 2018).

This paper, therefore, attempts to fill these gaps discovered in previous studies by examining further the effects of cultural business environment on entrepreneurial intention with a focus on the Nigeria cultural environment. Since most studies reviewed focused on the psychological, social and economic approaches to the development of entrepreneurial intention (Akhter & Sumi, 2014; Akpor-Robaro & Oghenerobaro, 2012). This study reviewed literatures on entrepreneurial development in Nigeria. It will help the potential academic researchers to carry out empirical investigation concerning the proposed the model.

The main aim of this study is to propose a model that will examine the effect of cultural business environment on entrepreneurial intention in Nigeria. The specific objectives are:

- i. To investigate the relationship between ethnicity and entrepreneurial intention in Nigeria.
- ii. To investigate the association between religion and entrepreneurial intention in Nigeria.
- iii. To ascertain the link between region and entrepreneurial intention in Nigeria.

2. Literature Review and Proposed Theory

The section review literature of proposed study variables.

2.1 Entrepreneurial Intention

Researchers have revealed that entrepreneurship is the engine of economic growth in First world countries, as well as in the Third world countries (Eduardo & Manoj, 2017; Koe & Majid, 2014). It is argued that the benefits of entrepreneurship in any nation are manifold. It facilitates economic diversification, reduces dependence on a mono-industrial base, provides job opportunities and provides opportunities for skill diversification, thereby providing impetus for the growth of the economy (Mai & Nguyen, 2016).

The process of entrepreneurship begins with the development of entrepreneurial intentions (Amakiri, *et al.*, 2017). Individuals do not become entrepreneurs as a reflex. Rather they respond to the conditions around them, they think about the opportunity and process cues from the environment which help them to construct the perceived opportunity into a viable business proposition (Thuo, Tagesse & Senbetie, 2016). Thompson (2009) state that entrepreneurship intention refers to a conscious state of mind that direct a person's attention to fulfilling the goal of venture creation. It refers to the anticipation of a person to start and grow a new business venture. Research have shown that starting a new business is influenced by cultural factors such as religion, ethnicity and regionality



Cultural factors as well as social environments, in fact, strongly influence the degree to which a country or region considers entrepreneurial initiative, risk taking as a desirable career and by itself has strong influences on self-confidence of the individual and on their decision to start a business. They exert large influences on entrepreneurial process and serve as a road map which guides entrepreneurs (Akhter & Sumi, 2014).

2.2 Cultural Business Environment

Culture has been shown to perform a significant role in molding behaviour; hence, its importance in the theory of entrepreneurial intention cannot be overemphasized (Kalkan & Kaygusuz, 2012). Lounsbury and Glynn (2001) define culture as a set of shared values, beliefs and behavior which is transmitted from one generation to another within a particular society and is deeply entrenched in the life of every individual. It is seen as the fulcrum through which a person can shape the collectivities in society with its behavior. Another way of perceiving culture is by comparing it to a scaffold through which an individual can shape their behaviour as well as collectiveness in society; it is the source for creating exclusivity in business enterprise. It provides support to deal with those issues the entrepreneurs confront on day to day basis (Lounsbury & Glynn, 2001). Therefore, the degree to which any nation considers entrepreneurial initiative, and willingness to take risk as a worthwhile undertaking is largely influenced by the cultural believe that characterizes such society and this invariably determine the level of self-confidence of an individual and their decision to start a business (Mai & Nguyen, 2016). The prevailing cultural environment in any society has been found to be one of the major factors determining entrepreneurial intention (Ahmad & Fakhrul, 2016; Amodu, *et al.*, 2015).

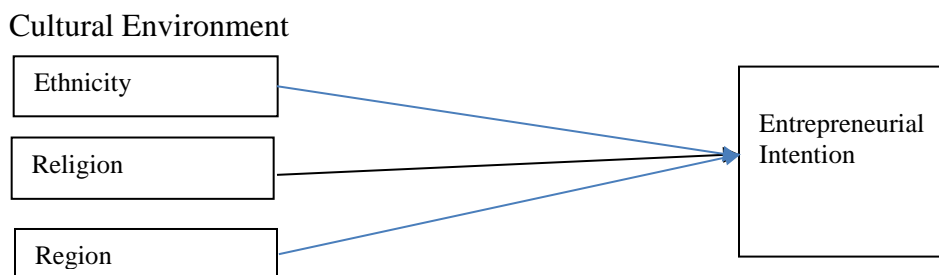
Ethnicity is one of the key cultural variables identified by Amodu, Abeh and Yakubu (2015). Ethnicity can be conceptualized as the grouping of people on the bases of some shared characteristics such as national origin, language or culture (Jones & George, 2008). Studies have revealed that ethnicity influences perceptions toward entrepreneurship (Brijlal, 2011; Ottih, 2011). It was noted that in Columbia, for example, the city of Medellin is noted for greater industry than Bogota, the capital, even though it has no apparent geographical advantages to favour it (Ottih, 2011). In Mexico, it is Monterrey, and in Brazil, Sao Paulo, which carry similar industrial excellence. Similarly, Jews in western industrial countries, Chinese in the Pacific Islands, and Igbo in Nigeria have been people noted for exceptional entrepreneurial performance. Proof of the relationship between entrepreneurship and ethnicity in Nigeria is mostly anecdotal, with the general understanding that persons of Igbo origin from the South-Eastern part of the country are more entrepreneurial than others.

Religion is one of the leading factors that mold economic consciousness and also help in the determination of the basic values and beliefs of people. In essence, it explains the extent to which individuals or group take entrepreneurship as valuable and a career (Garba, Mansor & Djafar, 2013). Religious beliefs, to a large extent, are positively related to other socio-economic factors which are instrumental to economic growth and they include education, self-esteem, family unit, life expectancy and so on (Kro & Ratan, 2018). Religion naturally affects personal values and pattern of behaviour like encouraging honesty, hard work, perseverance and improving general ethical standards. Adherence to religious teachings and practices invariably expose individuals to new behavioural patterns which alter their lifestyle in virtually all manners (Thornton, *et al.*, 2011).



Studies in recent years have indicated that the region or place where individuals reside, is a crucial factor in explaining differences in the level of the entrepreneurial activity among individuals. More specifically, individuals in urban regions are more likely to pursue entrepreneurship compared to rural ones (Kibler, 2013; Ijaz, Yasin & Zafar, 2018). In this context, classical and contemporary economic thinking has consistently portrayed urban agglomerations as the preferred setting for conducting business. It is popularly believed urban centers offer a greater division of labour, a greater provision of non-traded inputs, easier and cheaper access to markets, a greater availability of complementary services, better infrastructures, and greater volumes of demand (Kibler, 2013). It has been opined that regions with high population density and high population growth rates show higher rates of nascent entrepreneurship (Eduardo & Manoj, 2017). The proposed study variables are conceptualized in Figure 2.1 below.

Figure 2.1: Conceptualization of the Proposed Study Variables.



Source: Researchers' Illustration

2.3 Empirical Review of Related Literature

According to the studies conducted by Akpor-Robaro and Oghenerobaro, (2012); Amodu, *et al.* (2015); Ahmad, Fakhrol, Wan, Wan, and Ahmad (2017) ethnicity is posited to have significant influence on entrepreneurial intentions. Ethnic groups with entrepreneurial friendly culture have higher intentions to start their own entrepreneurial ventures than others inadequate entrepreneurial culture. This position is supported by the works of Farrington, Venter & Louw (2012) and Naude and Minniti (2011).

Studies have equally argued that religion has a positive influence on entrepreneurial intention (Ahmad, *et al.*, 2017; Amodu, *et al.*, 2015; Zulfikar, *et al.*, 2014; Ahkter & Sumi, 2014; Amodu, *et al.*, 2015; Kro & Ratan 2018). Ahmad, *et al.* (2017) conducted a research on entrepreneurial intention revisited; Measuring the impact of Socio-Cultural Business Environment using Structural Equation Modeling and found that religion have a positive relationship with entrepreneurial intention. The result indicates that when religion goes up, entrepreneurial intention goes up too. In other words, the more religious an individual or a society becomes, the more entrepreneurial intention, and invariably, the more the likelihood of the individual to take up entrepreneurship as a career. This result is similar to the findings of Roomi, (2010); Zulfikar and Siti, (2014). Their results are also in agreement with Weber's Sociological Theory of Entrepreneurship where culture plays a dominant role in determining entrepreneurial behavior and performance.

The previous studies done by Elston and Weidinger (2018); Zhu, Liu, He, and Luo (2018) show that regionalism, as a cultural factor, exerts a lot of influence on entrepreneurial intention. It has



often been proven that certain regional characteristic could influence entrepreneurial disposition. More empirical evidences from the works of Kibler (2013); Eduardo and Manoj (2017) and Elston and Weidinger (2018) lend support to findings on the positive influence of regionalism on entrepreneurial intention.

2.4 Proposed Underpinning Theory

The study is situated on the sociological theory of entrepreneurship propounded by Max Weber which has been used by many scholars to explain the effect of culture on entrepreneurship (Thornton, Domingo & David, 2011; Akhter & Sumi, 2014; Mbiti, Mukul, Mung'atu & Kyalo, 2015). According to Max Weber, in driving entrepreneurship, energies are generated by the adoption of exogenously-supplied religious beliefs. He argues that culture has great impact on the attitude and behaviour of individuals and their disposition to life. And indeed, whether or not an individual would develop and become an entrepreneur would depend on his disposition and value orientation. Culture, therefore, is a determinant of the nature of decisions to be made in life, including the decision to be or not to be an entrepreneur (Akpór-Robaro & Oghenerobaro, 2012).

3. Methodology

The methodology adopted for this study is a critical review of previous relevant literature on the effect of cultural business environment on entrepreneurial intention. Literature were thoroughly studied. Included literature for the study were carefully selected on the basis of how recent and publishers' pedigree. Consequently, recent works published by notable publishers like Springer, Sage, Emerald, and Science direct were mostly used. Variables included in the study were sourced from relevant theories and previous studies. Trailing behind this, a model was proposed. While conclusions were arrived at from the findings of the study and in line with the objectives of the study.

To empirically measure the differential effects of the identified independent variables on entrepreneurial intention, the researcher propose a logistic regression analysis where the probability of developing entrepreneurial intention ($\Pr(Y_i = 1) = P_i$) should be modeled as a function of the independent variables (X_i) where P_i is expressed as $\hat{P}_i = \frac{e^{X_i b_j}}{1 + e^{X_i b_j}}$, and parameters (b_j) are estimated by maximum likelihood method. This model is used in the works of Greene (2007); Eduardo and Manoj (2017).

In the study of Siyanbola *et al.* (2012), the dependent variable; entrepreneurial intention which measured the respondents' interest in starting a business of their own was captured and measured as a binary variable which assumed a value of 1 if the respondent answered 'yes' to the question, "Are you interested in starting your own business?" and 0 if 'no'. The study use both descriptive and inferential statistics in processing their data. The relationships among the variables were assessed first with a bivariate correlation and then a binary logistic regression model. Ahmed *et al* (2017) found Structural Equation Modeling (SEM) more efficient and it was argued as most appropriate for a study of this nature, being a sophisticated method to analyse the correlation and because it has been suggested as the best approach to a causal relationship(s) amongst latent constructs as well as multi-dimensional construct.



4. Conclusions

Having conducted a critical review of relevant literature with a careful study of the findings, the researcher in line with the objectives of the study concludes that cultural business environment exerts noticeable influence on the formation of entrepreneurial intention. The various dimensions of cultural business environment that have been carefully studied are worthy of attention in order to promote the formation of entrepreneurial intention which invariably leads to greater entrepreneurial behaviour thereby resulting in the much sought-after economic growth and development of Nigeria with all its attendant social and economic benefits. In view of the relevance of the cultural business environment, this study has proposed a workable model for further research so as to ascertain its efficacy in the formation of entrepreneurial intentions.

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