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Original Article

Small Scale Entrepreneurs Self-efficacy and Poverty Reduction in Nigeria Mediation of Business Performance: A Proposed Framework

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Abstract: *Small scale entrepreneurs are business owners who are visible in all countries whether developed, developing or underdeveloped and are characterized by their little capital outlay and a few number of employees. They are everywhere because of their relative significance of reducing unemployment, inequalities and poverty. However, despite their significant positive roles which attract increasing attention in terms of funding and other donor services; they still have very poor survival rate which lowers the effectiveness of several poverty reducing programs thereby contributing in making Nigeria a nation with large number of its citizens living below the poverty line. This paper seeks to examine the relationship between small scale entrepreneurs' self-efficacy on poverty reduction, mediation of business performance. Reviewing several relevant literatures to add new perspective, we developed a structure showing the linkages between the variables and propose it for empirical examination of the effect of the relationship.*

Keywords*: Small Scale Entrepreneurs, Self-efficacy, Poverty, Business Performance.*

I. INTRODUCTION

Small Scale Entrepreneurs' (SSEs) businesses which are mostly owned and operated as family businesses are vital tools for economic growth and development of countries especially those described as underdeveloped or developing including Nigeria. They are important because they among others create employment opportunities, bridge inequalities, reduce poverty level as well as social vices; and stimulate local entrepreneurship. Despite these important roles played by entrepreneurs operating micro and small scale business units most of them do not pass the test of time; they are shut down at their embryonic stage leading to low sustainable entrepreneurial activity which Coleman and Kofi (2008) argued is created by lack of access to adequate finance. This result in several able bodied and potentially, economically active Nigerians to have little or no income leading to poor standard of living (Ehinomen & Adeleke, 2012). Consequently, government and nongovernmental organizations redouble their efforts of providing credit to downtrodden Nigerians who lack collateral to secure loans for them to establish or expand an existing entrepreneurial ventures that yield income, help in savings accumulation, improve their condition (Onoyere, 2014); thereby enhancing their general wellbeing (Galib et al. 2014).

It is in the light of the above that there has been an increase in the availability of services of formal financial institutions that provide funds to small scale businesses. This positive development did not stop the non performance and death of small scale holdings which today, owing to the significant role they play, creates basis for worry (Joseph, 2014); as little has changed in the level of misery faced by more than half of Nigerians (Eghareba et al. 2016). However, the confidence of the nascent entrepreneurs in their ability to establish and successfully manage their business undertakings is significant not only to the survival but also success of their undertakings. Consequently, Tavanti (2013) argued that to move the downtrodden poor out of poverty through entrepreneurship, there is the need to build and boost their confidence level after providing finance for them to engage in income generating activities. This paper therefore, focuses on examining the role of entrepreneurs' self-efficacy on poverty reduction with mediation of business performance. It is equally the aim of the authors to provide a framework for empirical examination of the effect of the association among the study variables with business performance as a mediator.

II. LITERATURE REVIEW

In this section we look at various explanations of SSEs, self-efficacy, conceptual linkage of self-efficacy with poverty reduction, business performance, poverty and its reduction; and proposed conceptual framework.

A) Small Scale Entrepreneurs (SSEs)

'Entrepreneur' is derived from a French word ‘enteprendre’ and in literal sense means 'to undertake' (Assan, 2012). Entrepreneurship is an old concept deriving its prominence all thanks to the work of Cantillo, (1680). There is no consensus among scholars over a universally accepted definition of what entrepreneurship is (Kuzilwa, 2005). According to Makhbul and Hasun (2011) any person willing to bear business risks by mobilizing and committing resources which he organizes for efficient production of goods and or services for a return is called an entrepreneur. They added that the willingness and ability to take risk and major business decisions distinguish an entrepreneur from business managers. An entrepreneur is classified as small using different parameters depending on a country's level of development. In United Kingdom for instance, an entrepreneurial venture employing 0-49 employees is categorized as small (Sloman, & Sutcliffe, 2004). In Nigeria however, a small scale business is characterized by small amounts of capital and tirnover, single location, localized market, and limited no of staff as it employs less than ten people (Ogechukwu et al. 2013). Thus, in this paper, small scale entrepreneurs refer to business owners with these characteristics.

B) Self-efficacy

Albert Bandura is said to be the brain behind the coming to light of the theory of self-efficacy which as an offshoot of a social cognitive theory hypothesizes that the interactions between a person’s environmental factors and his personal traits and attributes such as thoughts and beliefs shape such person's achievement (Morris & Usher, 2011). In general terms, self-efficacy refers to an individual’s perceived belief about his capacity to execute a given task successfully (Patricia, Orellana & Barriga 2010; Pajares, 2011; Lunenburg, 2011).

Self-efficacy stands for the perception of a person's action control or agency which determines the type of life (passive or active) that person lives based on how he perceives himself. It therefore follows that the belief one has about one's ability to accomplish a task at hand has significant bearing on one’s motivation to increasingly desire to achieve his targets leading to behavioral self-regulation (Schunk & Pajares, 2009). It is not out of place to state that career choices and people’s desire to succeed in whatever they direct their energy and resources may be shaped by their self-efficacy due to intensity and persistence of effort. This position was postulated by Bandura (1984) who opined that highly efficacious people successfully accomplish tasks assigned to them more than those who think inefficaciously about themselves. Supporting this position Gist and Mitchell (1992) stated that just thinking and telling yourself that you can effectively carry out a task can put you ahead of any other person who admits self defeat at the very onset.

Standing alone, the concept of self-efficacy is meaningless. To be of use, the concept need to be associated with a particular behavior of interest including but not limited to learning, anger, computer, pain, and entrepreneurship (Betz & Hackett, 2006). Consequently, attaching self-efficacy to career produces career efficacy and associating the concept to a new business intention creates entrepreneurial self-efficacy (Bandura, 1977). Entrepreneurial self-efficacy (ESE) as an area of academic interest does not enjoy a generally acceptable definition and mode of measurement (Mcgee et al. 2009). The extent to which a prospective business owner believes he can establish and successfully manage a business venture is such a person’s ESE (Forbes, 2005). Agreeing with this definition, Mcgee et al. (2009) viewed that how a person perceives his ability to establish and manage a business venture in a way that the venture’s objectives are attained is measured by the construct of ESE. This construct, according to Chen, Greene, and Crick (1998) consists of Innovation, risk-taking, marketing, management and financial control.

A study by Setiawan (2014) revealed that the probability of an individual becoming a real entrepreneur is greatly affected by such individual’s ESE. And the connection between successful Entrepreneurship and reduction in unemployment and poverty levels has been proven by Steven et al. (2015). However, the use of final year university students who took entrepreneurship courses is a serious shortcoming of Setiawan study because being in entrepreneurship classes does not always result in graduates becoming entrepreneurs. Thus findings of the study would have been more reliable assuming nascent entrepreneurs were used as respondents. Corroborating Setaiwan’s finding, Cassar and Friedman (2009) submitted that entrepreneurs that have high SE tend to pursue aggressive investment decision which often results in establishing successful enterprises.

Furthermore, the conclusion reached by Laguna (2013) is noteworthy as it concurs with previous researches that showed positive relationship which high levels of self-referent beliefs have on entrepreneurial intention. Additionally, Laguna further clarified that this intention is envisaged by both general self-efficacy and ESE.

Naktiyok, Karabey, and Gulluce (2010); Hechavarria, Renko, and Matthews, 2012; Pihie and Bagheri, (2013) are among empirical studies that submitted that relationship exists between ESE; entrepreneurial intention and success.

C) Business Performance

Scholars view performance from different perspectives. Our concern here is with small scale enterprise performance. According to Lucky (2011) performance refers to indicator for the evaluation of individuals, groups, businesses or organizations. It indicates the strength and or weakness of the small scale firm by giving its true financial stand and position at a specified period of time thereby showing whether the venture is a success or failure.

The performance of an entrepreneur can be assessed using factors such as market share, size, efficiency, growth, liquidity and profitability. While assessing entrepreneur's performance due attention should be given to environmental factors as they can, and do affect the entrepreneur's performance. It is in this light Ekpe, Mat and Razak (2011) stated that individual traits or attributes and the environment in which women entrepreneurs operate has significant influence on their performance. This shows that the personal characteristics of the small scale entrepreneur which include self-referent beliefs can lead to success or failure of the entrepreneur's business. Thus, highly efficacious entrepreneurs are likely to strive harder to see that their business ventures flourishes than less efficacious entrepreneurs because ESE is positively correlated with business performance (Forbes, 2005). Furthermore, relating other factors to business performance Ekpe et al. (2013) argued that skills acquired by entrepreneurs through training have positive relationship with women entrepreneurs' performance.

Further, Mat and Razak (2011) asserted that technical or managerial skills which affect entrepreneurial performance are often acquired through seminars, conferences, workshops and other forms of training. Similarly, findings of Joseph, (2014) are in conformity with that of Ekpe et al. (2013) as he concluded that education and training has significant impact on family business survival and succession. Equally, Neneh (2012) viewed that the success of an entrepreneur depends on his experience in the particular line of business in which he intends to commit his resources. Thus, skills of an entrepreneur can be used to predict future business performances. To sum up, Abiola (2011), found that lack of entrepreneurial skills is a major reason that leads to the failure of several small and medium scale enterprises.

D) Poverty Reduction

The term poverty is attributed with several definitions as economists view it from different perspectives (Casimir, Nwaoga & Ogbozor, 2014). Asserting this view point, Benedict (2011) submitted that poverty affects all angles of human life be it social, psychological, economic, physical or political. It is therefore appropriate to say what definition is given to the term poverty depends on the angle it is viewed from; and how it is conceptualized. According to Morduch and Haley (2002), scholars and practitioners fail to agree on a single definition and measurement of poverty. This being the case, an appropriate description of who a poor person is, generates further intellectual tussle among scholars and practitioners who could not agree on whether individual earnings (income) should be the yardstick for measuring the individual's level of poverty or the level of deprivation should be given a wider view which encompasses total needs of the individual. Additionally, Casimir et al. (2014) opined that when defining poverty the condition and environment of the people described as poor, must not be ignored. This impliedly means a poor person in a country may not be described as poor in another country. Thus, the measurement of the term poverty is linked to how it has been defined.

According to Ugoh and Ukpere, (2009) the multidimensional nature of poverty results in lack of or inadequate income which makes the poor not to afford the dietary requirement needed for healthy living, lacking in healthcare and other social amenities leading to reduced life expectancy and high mortality. In this perspective, poverty creates a scenario where the poor is not only jobless but does not command purchasing power to feed, afford descent clothing and shelter; and chained by illiteracy (Ravi, 1990). Additionally, insecurity, political exclusion as well as social stigmatization are other attributes of poverty. Therefore, rather than limiting the effect of poverty to income and material wellbeing of the poor, the broader view focuses on how the poor are deprived of basic capabilities needed to live active and fulfilled life in a society.

Bearing in mind the negative consequences of poverty, households, governments and nongovernmental organizations are constantly engaged in activities aimed at reducing or eradicating poverty. All these activities engaged by stakeholders in the fight against poverty are called poverty reduction or eradication strategy (Bamiduro, & Gbadeyan, 2011). Poverty reduction from the view of Imhanlahimi, and Idolor, (2010) refers to any effort (regardless of the source) targeted at reversing the miserable conditions of the poor. To achieve a reduction in poverty the activities of the stakeholders must be directed towards empowering the poor. And as poverty is multi-dimensional so is the empowerment because it seeks to achieve a complete transformation of economic, political, social and psychological life of the poor (Eikojonwa, 2014). The international development community has committed itself in the fight against poverty leading to the creation of the famous Millennium Development Goals (MDGs) which was followed by the Sustainable Development Goals (SDGs) to be realized by the year 2030. Thus, the international development community has poverty reduction and eradication as one of its priorities (Chandy & Gertz, 2011).

Consequently, Samavia (1995), cited in Benedict, (2011) concluded that poverty reduction and its eradication is still one of the 21st century challenges for the global community. And to achieve this noble objective, several programs and institutions including microfinance banks that help the poor to establish viable small scale entrepreneurial ventures were created with the ultimate aim of alleviating the teaming populace from the menace of poverty.

E) Conceptual Framework

Figure 1 gives the proposed conceptual framework

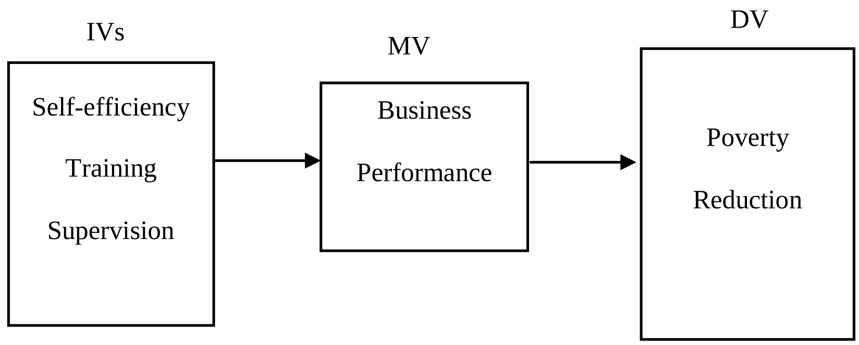

Figure 1: Proposed Framework

Figure 1 shows our proposed conceptual framework. It can be observed that the framework gives diagrammatical representation of the relationship between the independent (training, self-efficacy and supervision), intervening (business performance), and poverty reduction (dependent) variables. The framework is aimed to examine the influence of entrepreneurs' confidence in their ability to manage their small scale businesses; and the effect of training and supervision on entrepreneurs' performance and poverty reduction. The training and supervision is provided by government and Non-Governmental Organizations (NGOs) under various poverty reducing programs. This framework is for future empirical study

III. CONCLUSIONS AND RECOMMENDATIONS

Poverty is a global phenomenon but the Nigerian situation is worrisome as majority of Nigerians live below the poverty line. This calls for several programs aimed at encouraging entrepreneurship so as to empower the poor to be self-reliant by establishing and managing small scale businesses. However, the poor survival rate of such businesses is disturbing. Equally studies show that the belief small scale entrepreneurs have about their abilities in running their businesses is positively correlated with entrepreneurial intentions. Further, skills acquired through training impact on entrepreneurial performance. We therefore, recommend an empirical examination of the influence of the combined constructs of self-efficacy, training and supervision with business performance as a mediator on poverty reduction.

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