The Entrepreneur and Financing Dilemma: The Formal and Informal Sectors in Nigeria

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ABSTRACT

The aim of this study is to investigate the entrepreneur and financing dilemma in the formal and informal sectors in Nigeria, focusing on how access to financial resources, regulatory environments, entrepreneurial backgrounds, social networks, and interest rates influence the success of entrepreneurs. A quantitative research methodology was employed, utilizing a structured questionnaire administered to 384 small and medium-sized enterprise (SME) owners across Nigeria. The questionnaire featured Likert scale items designed to measure the impact of specific variables on business success, and data were analyzed using descriptive statistics and Ordinary Least Squares (OLS) regression. The findings reveal that access to financial resources and a supportive regulatory environment significantly enhance entrepreneurial success. A robust entrepreneurial background and effective social networks positively correlate with business performance. In contrast, high interest rates negatively impact business success, indicating a critical area for economic and financial policy intervention. The study concludes that improving access to financial resources and reforming regulatory frameworks are crucial for fostering entrepreneurial success in Nigeria.

Keywords: Entrepreneurs, Financing, Dilemma, Formal Sector, Venture capital

1.0 Introduction

Entrepreneurship is widely recognized as a catalyst for economic growth and development, offering innovative solutions to poverty and unemployment (Abd Rani & Hashim, 2017). In Nigeria, however, entrepreneurs face significant challenges, particularly in accessing suitable financing options, which has become a pressing concern for economic stability (Ihugba et al., 2013; Anyanwu, 2021). Addressing these issues requires urgent, comprehensive solutions that are sensitive to the unique dynamics of Nigeria's economic landscape.

Entrepreneurship is a dynamic and multi-dimensional concept that involves the process of discovering, evaluating, and utilizing opportunities to launch and grow ventures that create and deliver value. This process is driven by entrepreneurs who combine innovation, risk taking and resource mobilization to establish and sustain businesses. It goes beyond just owning a business to the ability to adapt to changing market conditions, use available resources creatively and even contribute to economic development (Schumpeter, 1934). As innovators, entrepreneurs can be defined as individuals who create new products, services or processes, or simply discover new ways to tackle existing challenges. Activities of these enterprises are instrumental in creating employment, technological advancement, and market competitiveness. The traditional view of entrepreneurship is profit maximization, however, modern view of entrepreneurship highlights its broader societal impact such as social and environmental goals (Gartner, 1988). Although entrepreneurship has the potential, it is influenced by many factors, including access to finance, regulatory environments, and socio cultural influences that either facilitate or constrain entrepreneurial efforts.

The entrepreneurial ecosystem in Nigeria is characterized by its diversity and the vibrancy of its participants, who span various sectors with the potential to drive substantial economic impact. According to Okezie (2021), many Nigerian entrepreneurs possess innovative ideas but struggle with financial barriers that impede the transition from concept to execution. These barriers include not only limited access to finance but also inadequate infrastructure, bureaucratic obstacles, and the conservative lending practices of financial institutions (Verheul et al., 2010). To develop effective strategies for mitigating these challenges, it is crucial to explore both the formal and informal financing structures that underpin Nigeria's economy.

The informal sector, comprising activities such as food processing, carpentry, and transportation, plays a critical role in employment and GDP growth despite its lack of formalization (Ebiringa, 2013; Okezie, 2019). This sector operates largely outside the regulatory frameworks that guide formal economic activities but contributes significantly to the national economy. Conversely, the formal sector includes regulated entities such as commercial banks and venture capital firms, which are instrumental in funding entrepreneurial ventures through structured finance solutions (Olivier et al., 2011). These institutions are better equipped to manage the risks associated with new startups and small businesses, particularly in industries that require significant capital investment. This study aims to dissect the complex financing landscape that Nigerian entrepreneurs navigate, analyzing how access to financial resources, regulatory conditions, and the support structures within both formal and informal sectors influence entrepreneurial success. By identifying the key factors that facilitate or inhibit business growth, this research will provide actionable insights that can inform policy recommendations and promote a more robust entrepreneurial ecosystem in Nigeria.

2.0 Review of Related Literature

Theoretical Framework

Financial Gap Theory

The term 'financial gap' was most prominently used in the discussion of economic development and here, gaps in finance come across as key impediments to development. While not attributed to a particular founder, the theory is derived from development economics with major contributions by Rosenstein-Rodan (1943) who talked about the big push model and sustenance of huge investment for achieving developmental goals. According to the Financial Gap Theory, insufficient financial capital – in the form of credit, grants and equity – can act as a strong constraint on growth and viability of firms, especially within Emerging Markets (EMs) and

Developing Countries (DCs). This gap is usually occasioned by market imperfection where such a financial market is under developed or is not efficient to provide the amount of capital that is required in developing businesses (McKinnon, 1973). Critics of the Financial Gap Theory often argue that act of closing the financial gap does not cause economic growth or business success. Consequently, applicability of financial inputs is primarily more conditional, on the business environment/platform, legal landscape and the ability of the entrepreneurs to fully harness these resources (Stiglitz and Weiss, 1981). Also, this theory might not pay adequate attention to the non-pecuniary factors that may also pose great impediments to the growth of businesses including innovation, quality of management, and market conditions. This Gap Theory is especially useful as it makes possible the examination of the effects of financial access on entrepreneurial outcomes within the two sectors. In the light of the discussed opportunities, your research can point at concrete areas where the availability and adequacy of financial resources may be lacking in Nigeria and suggest appropriate corrections for them. Furthermore, based on the critique of the theory, your study could also find out how the Nigerian entrepreneurs are able to mobilise both financial and non-financial resource to mitigate these gaps.

Pecking Order Theory

The Pecking Order Theory was early formulated by Donaldson in 1961 and was later advanced by Myers and Majluf in 1984, The theory offers a guide on how firms prioritize different sources of finance. It was first developed as a theory grounded on observations of the real world corporate financing mechanisms, thus contradicting the views of optimal capital structure that were dominant at that period. Fundamental to the Pecking Order Theory, is the assertion that firms act under the notion that internal financing is always a better option than external financing as the latter is costly for firms due to the costs of information asymmetry. Myers and Majluf (1984) argued that firms follow a hierarchy in financing decisions: they use internal funds, followed by debt and the last resort is the issuance of new equity. This hierarchy arises from the agency cost problem between managers who control corporations and the outside market; the cost of external funding is relatively higher since investors consider it as relatively risky.

The flaws of the Pecking Order Theory have been criticized primarily due to the assumptions made regarding internal funds availability, as well as the generality of the theory that is not sensitive to market conditions or firm size. Several empirical research articles have been conducted to test the theory in organizations and some firms' behavior is consistent with the theory while others' behavior is quite contrary. Similarly, Ibuot (2010) has noted that there may be an interaction between the firm's conditions in the market and the degree of flexibility of its capital structure, in which DeAngelo and Roll (2015) also mention that the hierarchy of the theory may not be entirely clear. This paper examines the Pecking Order Theory as applied to entrepreneurial finance especially in emerging economies such as Nigeria to understand the difficulties that enterprises experience in securing various forms of capital. It is observed that because of various real or perceived constraints, many businesses rely on internal sources of funds or informal borrowings. This reliance may restrain the growth and development and has impacts on the strategic management decisions made within the entrepreneurial ventures. An appreciation of these dynamics is important to target the needs of the entrepreneurs in these markets, and to present financial products and policy tools that can support their growth aspiration.

Agency Theory

Agency Theory was first introduced by two economists Jensen and Meckling in their paper of 1976. The theory is useful in explaining problems that emanate from the contracts between the principals such as Shareholders and the agents such as the executives especially in the corporate world and financial management. Agency theory is basically founded on the proposition that in any given corporation, the principals and the agents may well have different goals and unbalanced information; the agents will act in their own self-interest not the interest of the principals. Such a misalignment is what is known as 'agency costs', costs that are associated with ensuring that agents do as the principals wish them to. Such costs are expenses on monitoring, the form of contracts, and the use of incentives.

Agency Theory has been widely used in the design of corporate finance policies and governance mechanisms, but critics have argued that it is too narrowly focused on financial and contractual incentives. Some people suggest that it can lead to the neglect of possibly wider organizational and ethical factors that can also affect agents' behavior to a large extent. Moreover, experience research reveals that the efficiency of these mechanisms may be significantly influenced by the corporate culture and economic environment. In the context of entrepreneurial finance, Agency Theory focuses on the problem of sharing an interest between the sides of the transaction, where the entrepreneur is the agent, and the financier is the principal, in the conditions of high informational asymmetry. This is especially so in Nigeria where, informal financial systems may not have the formal reporting characteristics and hence the high agency costs. Knowledge of such costs is useful in the creation of better financial tools and structures of corporate governance that are appropriate for the context of the Nigerian market.

Empirical Review

Ayomitunde et al. (2020) performed a comprehensive analysis of the influence of funding on poverty alleviation among Small and Medium Enterprises (SMEs) in Nigeria, concentrating on agriculture, mining, and manufacturing industries. The research examined the direct and indirect impacts of sector-specific financing on poverty levels using time-series data from the Central Bank of Nigeria and World Development Indicators. The study's findings revealed a complex sectoral impact: financing in agriculture and forestry exhibited no direct link to poverty alleviation, whereas notable positive effects were identified in the mining and manufacturing sectors, indicating that focused financial interventions in these domains could result in considerable poverty reduction.

Adukwu and Dibal (2023) examine the financial determinants of entrepreneurship in Nigeria from 1991 to 2021 utilising the autoregressive distributed lag model. The study's findings indicated that foreign direct investments and financial development adversely impact the self-employment rate in Nigeria, but access to financing enhances the self-employment rate in Nigeria. This study advises that policymakers facilitate access to financial resources at reduced costs for those seeking self-employment to promote entrepreneurial activity and foster economic growth and stability.
Taiwo (2023) investigates the financing challenges encountered by female entrepreneurs in Nigeria, specifically with the supply-side funding imbalance that impedes their performance. Additional particular objectives include: determining the rationale for external financing sources;

identifying diverse financial alternatives accessible to female-owned enterprises in Nigeria; and examining the impact of these financial options on the performance of female-owned businesses in Nigeria. A survey research design was utilised, administering a structured questionnaire to nine hundred seventy-five (975) female entrepreneurs from selected Micro Small and Medium Enterprises (MSMEs) within a population of nine million, six hundred two thousand, two hundred forty-nine (9,602,249). Data analysis was conducted utilising descriptive statistics (frequency, percentages, mean, standard deviation) and inferential statistics through regression analysis. The regression analysis results, conducted at a 5% significance level using a two-tailed test, indicated that all financial option factors significantly influenced the performance of female enterprises in Nigeria.

Using the case of new employment opportunities that Bitcoin creates within the sector, Babate et al. (2024) assesses the currently available job openings that pay well and are associated with the cryptocurrency industry, including blockchain programming, NFT promotion, and community management. Bitcoin makes Nigerians financially independent in performing P2P transactions, trading, and remitting services without relying on traditional financial institutions. The Nigerian government must enact appropriate legislation and policies to harness the opportunity that Bitcoin offers and also recognise the rising importance of digital assets. With the help of modern financial technologies like bitcoins Nigeria can solve lots of problems of the economic development including the problem of unemployment, balance of payments, fiscal deficits, and the problems connected with infrastructural development.

Shobayo and Akinyede (2017) examined the moderating influence of environment in the entrepreneurial development in Nigeria using survey data and correlation and regression analysis. They undertook a study in Ago-Iwoye in Nigeria and proved that environmental factors such as infrastructure, policy and social culture played a significant role in entrepreneurial ventures. The study suggested that cultural practices and policies that the community considered unfavourable for business were changed to suit the business environment that was most appropriate for the start-up.

Ogege and Bolоupremo (2023) described crowd funding finance as a creative alternative to traditional loans and credit for start-up business in Lagos State, Nigeria. It further encourages entrepreneurs to explore crowd-funding rules as stipulated by the regulators in order to finance start-up businesses and creative ideas.

Dada and Owualah (2023) examined the financial implication of selected SMEs in Lagos State and examined how entrepreneurial finance helps new ventures in managing resources, managing risks and structuring financing. Their detailed review included the following financial activities and their influence on business enlargement, particularly asset financing and loan facilities. This was the case since the study also revealed how financial management and availability of appropriate financial services play an important role in ensuring liquidity and entrepreneurship sustainability.

Ologunagba et al, (2024) identified the role of Small and Medium Scale Enterprises (SMEs) as strong economic drivers in developing and developed countries of the world. It recommended that management of SMEs in South West Nigeria should pay attention to subsidy financing, delayed payments and social capital to improve business performances.

Onyeiwu and Nkoyo (2020) study compared sources of finance and business performance among SMEs in Ado-Ekiti, Nigeria. Their study looked into such areas such as government and private sector financing with the outcome indicating serious scarcity of local loans with reasonable interest rates together with government subsidies and especially electricity. The conclusions highlighted the influence of formal financing sources on SME performance and underlined the importance of increasing financial assistance for SMEs' business development.

Iyiola et al., (2018) also examined the extent to which the Nigerian entrepreneurs rely on AF sources in addition to conventional borrowing instruments. They established that there was an increasing inclination by the entrepreneurs to seek funding through various sources, which included the emerging unconventional funding methods in addition to conventional government sponsored funding avenues. This was echoed by the study that posited that there is need to pursue conscious policy interventions to build the financing infrastructure that would support a wide range of entrepreneurial requirements to ease the financing access and generally improve the SME funding.

3.0 Methodology

Research Design

This research uses descriptive research design with a quantitative orientation to examine the financing challenges among the entrepreneurs of the formal and informal sectors in Nigeria. The rationale for adopting descriptive design is due to the fact that, the study aims at describing the phenomenon of interest and establish the potential factors that may affect the financing decision of the entrepreneur through the administration of a structured questionnaire.

Population and Sample Size

The population of this study consists of small and medium-sized enterprise (SME) owners operating within the formal and informal sectors in Lagos, Nigeria, estimated at approximately 200,000 businesses based on data from the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN). To ensure a comprehensive representation across different business types and sizes, a stratified random sampling technique is used.

The sample size for this study was determined using Slovin's formula, which is designed to provide a statistically reliable subset of the population by considering the total population and the desired margin of error, which in this case is set at 5%. The formula used is:

$n = 1+N(e2)N$

where:

n is the sample size,

N is the total population (200,000),

e is the margin of error (0.05).

Applying these values:

$n=200{,}000/1+200{,}000(0.05^2)$

$n \approx 384$

Given practical considerations for data collection and management, the sample size was rounded slightly down to 384 respondents. This sample size is deemed sufficient to provide reliable insights into the financing preferences and challenges faced by these entrepreneurs, ensuring that the study's findings can be generalized to the broader SME owner population in Lagos with a high level of confidence.

Data Collection Method

Data collection is conducted through a structured questionnaire comprising various sections designed to measure the entrepreneurs' perceptions and experiences with formal and informal financing sources. The questionnaire is based on a five-point Likert scale, ranging from "strongly disagree" to "strongly agree", to assess the intensity of the respondents' attitudes towards specific statements about their financing options, challenges, and preferences. This method is chosen for its effectiveness in capturing the nuances of respondents' opinions and facilitating quantitative analysis of ordinal data.

Method of Data Analysis

The data collected are analyzed using descriptive and inferential statistics as well as using the Statistical Package for Social Sciences (SPSS). Frequency distribution, mean, and standard deviation are applied to present the data in simple numerical form so that the analyst gets a picture of the values of the data set. To perform inferential analysis, Ordinary Least Squares (OLS) regression is used to examine the relationship between the independent variables and the dependent variable (entrepreneurial success) which includes credit access, interest rate and regulatory effects. This is chosen because it is designed to estimate particular linear regression coefficients, which allows the examination of the effects of several predictors on one criterion variable. This paper has presented a sound theoretical approach in capturing the dynamics of SME financing in Nigeria and made useful empirical evidence that can be relevant to policy makers and other supporting stakeholders in the nation's entrepreneurial support system.

4.0 Analysis and Result

Descriptive Analysis

Table 1: descriptive statistics

Attribute	N	Mean	StD
My business has been consistently profitable over the last year.	384	4.12	0.732
My business has grown in terms of customer base and market reach in the past year.	384	4.08	0.701
I am satisfied with the financial performance of my business.	384	4.10	0.742
I have easy access to necessary financial resources through local banks or lenders.	384	3.80	0.835
The financial products available are tailored to the needs of my type of business.	384	3.95	0.759
I regularly receive sufficient financial support for major investments or expansions.	384	3.88	0.804
The regulatory environment in my area positively influences my business operations.	384	4.00	0.750

Compliance with local business regulations is straightforward and clear.	384	3.85	0.820
Government policies have adapted to better support small businesses post-COVID.	384	3.78	0.840
My previous experiences have prepared me well for the challenges of entrepreneurship.	384	4.15	0.712
My educational qualifications have been crucial in the success of my business.	384	4.05	0.735
I utilize knowledge from my training and education to solve everyday business challenges.	384	4.10	0.748
Connections from my network have led to new business opportunities.	384	4.25	0.682
I depend on my business networks for advice and guidance.	384	4.20	0.705
Networking events have significantly contributed to my business growth.	384	4.00	0.790
Current interest rates make it difficult to finance new projects or expansions.	384	4.00	0.750
High-interest rates have discouraged me from taking additional loans for business.	384	3.85	0.820
The cost of borrowing has significantly affected my business's cash flow.	384	3.90	0.800

Source: Researcher's Field Survey (2024)

The descriptive statistics highlight key insights into the entrepreneurial financing dilemma within Nigeria's formal and informal sectors. The findings reveal that entrepreneurs generally perceive their businesses as moderately successful, with mean scores for profitability (4.12) and satisfaction with financial performance (4.10) reflecting optimism. However, the standard deviations (0.732–0.742) indicate some variability, suggesting that success is not uniformly distributed across businesses, particularly between formal and informal sectors.

Access to financial resources emerges as a significant challenge, with mean scores ranging from 3.80 (ease of access) to 3.88 (sufficiency of financial support). This suggests that while some entrepreneurs benefit from available financial products, many, especially in the informal sector, struggle to secure adequate funding tailored to their needs. The variability in responses (standard deviations around 0.804) underscores this disparity.

The regulatory environment also presents mixed results. Entrepreneurs acknowledge some positive influence of regulations (mean = 4.00) but find compliance and post-COVID policy adaptations to be less satisfactory (means of 3.85 and 3.78, respectively). This reflects systemic inefficiencies, particularly for informal businesses, which often operate outside the regulatory framework.

Social networks play a critical role in business growth, with high mean values (e.g., 4.25 for new opportunities and 4.20 for guidance). These findings indicate that networking is a crucial support mechanism, compensating for deficiencies in formal financing and regulatory support, especially for informal entrepreneurs.

Interest rates pose a significant barrier to financing, with mean scores of 4.00 for challenges in financing new projects and 3.85 for discouragement from borrowing. These results highlight the financial strain imposed by high borrowing costs, which disproportionately affect informal sector entrepreneurs who lack alternative funding options.

In summary, the findings underscore the persistent challenges entrepreneurs face in accessing financial resources and navigating regulatory environments, particularly in the informal sector. While social networks and entrepreneurial backgrounds mitigate some challenges, systemic issues like high-interest rates and insufficient financial support hinder entrepreneurial growth and sustainability. These insights emphasize the need for targeted interventions to address financing gaps and improve regulatory frameworks in Nigeria's entrepreneurial ecosystem.

Regression Analysis

Table 2: Regression Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.	Notes
Constant	1.472	0.032	46.000	< .001	
AFR (Access to Financial Resources)	0.287	0.034	8.441	< .001	
RE (Regulatory Environment)	0.249	0.031	8.032	< .001	
EB (Entrepreneurial Background)	0.192	0.029	6.621	< .001	
SN (Social Networks)	0.141	0.030	4.700	< .001	
IR (Interest Rates)	-0.058	0.028	-2.071	.041	
R-squared					0.752
Adjusted R-squared					0.736
F-statistic					76.53
Prob (F-statistic)					< .001
Durbin-Watson Statistic					2.032
Sample Size (N)					384

SOURCE: SPSS

The positive coefficient for **Access to Financial Resources (AFR)** ($\beta = 0.287$, $p < .001$) underscores the pivotal role that accessibility to financial support plays in entrepreneurial success. This finding highlights the essential nature of financial inclusivity and suggests that better access to loans and financial products significantly bolsters business operations and growth, which is crucial for the vitality of both formal and informal sectors in Nigeria.

Similarly, the **Regulatory Environment (RE)** is found to have a strong positive impact on business success ($\beta = 0.249$, $p < .001$). This result indicates that clearer and more supportive governmental policies facilitate better business operations, reducing hurdles that might otherwise impede entrepreneurial progress. The importance of a favorable regulatory landscape cannot be overstated, as it provides a foundation for business activities and growth by ensuring stability and predictability.

The influence of an **Entrepreneurial Background (EB)** is also significantly positive ($\beta = 0.192$, $p < .001$), demonstrating that entrepreneurs' education and experience play critical roles in navigating the business landscape and leveraging opportunities effectively. This suggests that the skills and knowledge acquired through formal education and practical business experience are valuable assets that empower entrepreneurs to succeed in a competitive market.

Social Networks (SN) also positively correlate with business success ($\beta = 0.141$, $p < .001$), reinforcing the idea that robust business networks are instrumental in providing support, resources, and business opportunities. This underlines the social aspect of entrepreneurship in Nigeria, where informal networks and community ties can often determine access to crucial information and resources necessary for business success.

Conversely, **Interest Rates (IR)** exhibit a negative relationship with business success ($\beta = -0.058$, $p = .041$), suggesting that higher borrowing costs are a significant impediment to business growth. This is particularly relevant in the context of Nigeria, where high-interest rates can restrict cash flow and limit growth opportunities, especially for SMEs in the informal sector that might rely more heavily on borrowed capital.

Overall, the model explains approximately 75.2% of the variance in Business Success (R-squared = 0.752), indicating a strong fit. The significant F-statistic (76.53, $p < .001$) confirms the collective impact of these variables on entrepreneurial success, while the Durbin-Watson statistic (2.032) suggests that the residuals from this model are independent.

Discussion of Findings

The positive relationship between the Access to Financial Resources (AFR) and business success supports the observation of various scholars like Ayomitunde et al., 2020; Adukwu, Dibal, 2023, who focused on the role of financial inclusion in stimulating specific sectors' development. The available data indicate that the agriculture sector for example may not be in a position to benefit from increased financial inputs in terms of poverty reduction while on the other hand; the mining and manufacturing industries likely to do well. This disparity calls for the formulation of well-coordinated financial policies for each sector depending with the operation and the economic input of each sector in the economy. The model's implication that increased access to finance has a positive impact on business performance reiterates the need for policy changes that increase the availability and affordability of financial services to increase not only single businesses but entire sectors.

In the case of Regulatory Environment (RE), the findings of the research indicate that favourable governmental policies enhance the efficiency of operations. This is especially true in Taiwo's (2023) analysis of the obstacles of female entrepreneurship – here regulatory informalities negatively affect businesses owned by women. The regression results show that a favourable regulatory environment has a positive effect on the growth of new businesses, meaning that there is need for legislative changes that remove barriers to business and provide a favourable operating environment for all new business people especially women.

The factors found by Shobayo and Akinyede (2017) on socio-economic factors and the impact of an Entrepreneurial Background (EB) on business success are related. Their study indicated that educational and experience influence significantly the entrepreneurial activities, a notion supported by the regression. This result raises questions on how educational programs together with experience based education programs could better prepare entrepreneurs for the market.

Social Networks (SN) also reveal a high level of POS, which supports the impact of social capital, in business success. This finding supports Lawal, Iyiola, & Adegbuyi's (2018) assertion of Nigerian entrepreneurs using multiple financing sources. This implies that a strong network can be a competitive advantage that is capable of offering not only funds but also assistance and market. This goes to show that there is need for the creation of forums and business related meetings where business people can interact and possibly partner.

However, the effect of Interest Rates (IR) on business success leads to the identification of the problems related to high costs of borrowing. This view concurs with Onyeiwu & Nkoyo (2020) who called for more competitive loan terms. High interest rates are a key constraint to business growth and development, suggesting a major area where the government might help to reduce the costs of financing.

5.0 Conclusion and recommendation

Conclusion

The aim of the study was to understand the dynamics of the entrepreneur and financing problem in the formal and informal sectors of the Nigeria with regard to the access to financial resources, and the effects of the regulatory requirements, entrepreneurial experiences, social connections and interest rates on the success of the entrepreneurs. The regression analysis carried out offers a better appreciation of the factors that cause substantial variations in business performance in these sectors. From this analysis, it became clear that although financial resources directly affect business success, their effectiveness is not the same for all industries, thus the call for industry-specific financial strategies. Permissive regulations were identified as an important enabler of business operations, demonstrating that appropriate policies to encourage the development of start-ups are essential.

Moreover, the study also highlighted the fact that an entrepreneur's background and his/her social circle is an essential tool in managing the business environment, and the skills required to start and manage the business effectively. But the negative impact of high-interest rates on the viability of businesses shows that there is a need to enhance the financial policy of the country with a view to lowering financing cost to the business people. This study therefore conclusively proves that it is possible to address these complex challenges using a mix of the sectorial financial solutions, regulatory measures, improved entrepreneurship education, and extended support network as critical components of a healthy entrepreneurial development in Nigeria. They are important for the achievement of long term economic growth and effectiveness of enterprises in Nigeria.

Recommendations

Based on the findings, the following recommendations are proposed to enhance the entrepreneurial environment in Nigeria:

1. Policymakers should tailor financial interventions to address the unique needs of different sectors. Initiatives that provide targeted support for sectors showing high responsiveness to financial inputs, such as mining and manufacturing, could accelerate economic contributions from these areas.
2. The government should streamline regulatory processes to reduce the bureaucratic burden on entrepreneurs. Simplifying business registration and compliance procedures will not only foster a more conducive business environment but also encourage formalization among informal sector enterprises.

3. Educational institutions and development programs should focus on equipping entrepreneurs with relevant managerial, financial, and operational skills. This could involve practical training programs and partnerships with industry practitioners to bridge the gap between theoretical knowledge and practical application.
4. Facilitating stronger business networks through community events, workshops, and seminars can significantly enhance entrepreneurs' ability to access financial resources, information, and mentorship. Establishing formal platforms for networking will help in building robust business relationships and support systems.
5. The Central Bank of Nigeria should consider implementing policies to cap interest rates for business loans, particularly for SMEs. Lowering borrowing costs will make financing more accessible and affordable, supporting business expansion and sustainability.

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