Liquidity Constraints and Entrepreneurial Financing in Nigeria: The Fate of Fresh Graduate Entrepreneurs

By Okey O. Ovat

University of Calabar, Nigeria

Abstract - The paper justifies the establishment of entrepreneurship development centres in Nigerian Universities by showing the relevance of entrepreneurship development programme on overall national development of the country. And then focuses on liquidity constraints which fresh graduate entrepreneurs may likely face in an attempt to establish small businesses of their own, after acquiring entrepreneurship training as part of their overall university training. The paper reiterates the importance of financial market development and personal wealth in driving entrepreneurship in a country. It contends that fresh graduate entrepreneurs cannot escape from liquidity constraints in entrepreneurial financing, due largely to the high level of poverty and the underdeveloped nature of the financial market in Nigeria. For the objective of the entrepreneurship development programme to be achieved, the paper recommends that fresh graduate entrepreneurs and indeed startups should possess five strong-will- powers such as mind power, planning power, people power, knowledge power and gearing power. In addition and more importantly, the government should carry out more vigorous reform in the financial market with a view to bringing it to international standards and also establish a special financial institution solely responsible for giving grants to fresh graduates after their National Youth Service Corps (NYSC) year, to start businesses of their choice.

Keywords: liquidity constraints, entrepreneurship, financing, fresh graduate entrepreneurs, nigeria.

GJMBR-C Classification: JEL Code: J23, J24, L26, M13

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1. INTRODUCTION

There exists evidence that suggests a strong correlation between entrepreneurship development and employment generation and hence wealth creation. Academic training, to achieve academic excellence devoid of technical and entrepreneurial content is sterile and is gradually becoming obsolete in the world of the 21st century. It is an indisputable fact that the youths constitute a very vibrant segment in every society and the future of every society to a large extent is dependent on the quality of the youth segment of the population.

In Nigeria today, the prevalence of moral decadence and high rate of criminality among the youths is alarming. Vices like prostitution, drug trafficking, armed robbery, hostage taking, militancy, terrorism etc., are common features in our social life. This rot in our society to a large extent is traced to unemployment. The rising rate of unemployment is in turn attributed to the sterile pattern of our educational curriculum that neglects technical and entrepreneurial education; thus producing school leavers and graduates who are only groomed for white-collar jobs which are now grossly inadequate.

Following the contemporary development trends across the world, particularly the fast developing nations of Asia referred to as “Asian Tigers” whose nationals are empowered with entrepreneurial skills “to drive enterprises for greater productivity and increased technical efficiency in diverse entrepreneurial areas” with the ultimate objective of achieving rapid and sustainable development; and because of the positive externalities that accompany entrepreneurship, many countries have deemed it imperative to establish policy programs and agencies directly aimed at encouraging entrepreneurship. In consonance with this recent trend, the Federal government of Nigeria has given directives to all Federal Universities in the country to establish Entrepreneur Development Centers in their various campuses to incorporate vocational, technical and entrepreneurship education in their curricula; to complement other existing vocational and entrepreneurial skills acquisition centers in the country. This reform is aimed at rebranding Nigerian Universities as not only traditional “Ivory Towers” that seek to achieve academic excellence but also centers for entrepreneurial skills acquisition. The objective of the centers is to equip university graduates with technical and entrepreneurial skills to drive enterprises and become self employed and employer of labour on graduation. Rather than remaining unemployed for so many years waiting for white-collar jobs.

However, to kick start a business does not only end in skills acquisition, another major requirement is capital to finance it. Liquidity constraint, to a large extent is a paramount challenge that fresh graduate entrepreneurs may likely face. It is this challenge that is the primary concern of this paper. The paper is therefore structured in the following sequence: Section 1 has been the introduction. Section 2 explores theoretical issues and relevant literature. Section 3 examines the relevance of entrepreneurship training. In section 4 the requirements for financing entrepreneurship are
analyzed while section 5 summarizes and concludes the paper.

II. Theoretical Issues and Literature Review

The literature on financial development provides some theoretical explanations on liquidity constraints and entrepreneurial financing. Metrics of financial market development explicates the ease or otherwise with which entrepreneurs and would-be-entrepreneurs in need of external finance can access the required capital and finance their businesses. The role of finance in entrepreneurship is aptly captured in Schumpeterian concept of “innovation financing” where by entrepreneurs with “new ideas and technologies displace incumbents with old technologies, leading to a continued increase in productivity and economic growth” (Kerr and Nanda, 2009). This theoretical construct is akin to what Patrick (1966) termed “supply-leading hypothesis”.

According to the supply-leading (finance-led growth) hypothesis, the existence of “financial institutions and the supply of their financial assets, liabilities and related financial services in advance of demand for them would provide efficient allocation of resources from surplus units to deficit units, thereby leading the other economic sectors in their growth process” (Patrick 1966). Two functions performed by the supply leading hypothesis stand out clearly. First, it transfers resources from traditional (non growth) sectors to modern sectors. Second, it promotes and stimulates an entrepreneurial response in the modern sectors and increases the expectation of the entrepreneurs as well as opens new horizons of possible investment alternatives to explore. This however presupposes that the financial market is well developed.

A number of studies have argued in favour of the finance-led growth approach (Cameron, 1963; King and Levine, 1993a; King and Levine 1993b; Levine, 1997). This contrasts with the position held by Robinson (1952) and others, as contained in the demand following hypothesis which maintains that development of financial sectors and institutions simply follow economic growth. That is, “where enterprise leads, finance follows” (Meier, 1984).

It is worthy, of note to point out that, whether supply-leading or demand-following, the quest of entrepreneurs to have access to adequate capital to start up a business venture or finance an existing one, is not without constraints. Given the relevance of entrepreneurship in fostering economic growth, a lot of research interest has been aroused in recent times, to examine the sources of friction in the financial market and possibly attempt to alleviate liquidity constraints in entrepreneurial financing.

A major determinant in the ability of fresh entrepreneurs to raise sufficient capital to kick start their businesses is the depth of the financial market, quantified as the ratio of broad money supply (M2) to GDP; or from the perspective of the stock market, the ratio of stock market capitalization to GDP. The depth of the financial market or financial deepening measures financial market development in a country. The deeper the financial market, the more it is alive to its responsibility of meeting business financing needs of fresh entrepreneurs and vice versa.

A number of studies have emphasized the relevance of financial deepening in boosting entrepreneurship, whether fresh or existing. For instance Fisman and Love (2003) document how fresh or startup firms struggle with overcoming weaknesses in financial market development, even where existing or established firms are able to use trade credit as a substitute for formal financing. In the same vein, Comin and Nanda (2009) provide evidence that shows a positive correlation between financial market development and entrepreneurship. Using historical data on banking sector development and technology diffusion, they discover that capital intensive technologies are adopted with a greater speed than less capital intensive technologies in countries that are over a certain threshold in banking sector development. The synopsis of their finding is that constraints faced by fresh entrepreneurs or startups in raising capital might adversely impact on the commercialization of new technologies. Still on the emphasis of financial deepening, Rajan and Zingales (1998) maintain that industrial sectors with a greater need for external finance develop faster in countries with deeper capital markets.

It is obvious that the depth of the financial market is not uniform across countries. While some countries have deeper financial markets (especially developed countries) others have very shallow financial markets, as in the case of underdeveloped countries. Be that as it may, no financial market is completely immune from frictions. These frictions militate against high quality entrepreneurs with good entrepreneurial ideas and make such ideas not to come to fruition as the entrepreneurs are unable to access adequate capital to start a new business.

Frictions in the financial markets have been blamed on a number of factors which among others include restrictive banking legislations, religious barriers against loans and interest charges and above all, imperfections in the operation of the market mechanism (Meier, 1984). On financial legislation, La Porta et al (1997, 1998) and Beck et al (2001) trace the association between legal origin of financial market laws across countries and relate them to the degree of investor protection and hence the ability of financial intermediaries to raise and lend capital. In the context of
directed lending programme in India, Banerjee and Duflo (2008) maintain that banks not only face frictions in their access to external financing, but that they are equally prevented from undertaking profitable investment opportunities in the real economy by these frictions. Similar conclusions are also reached by Paravisini (2008) in Argentina.

Aside the depth of financial market which tremendously influences the ability of prospective or potential entrepreneurs to finance new businesses, the competition between financial intermediaries also has profound impact on liquidity constraints and entrepreneurial financing. For example, Levine (1997), cited by Kerr and Nanda (2009) asserts that the level of competition between financial intermediaries can impact on the terms of credit to startups as well as the degree to which capital is allocated to the highest-quality projects. Banerjee et al (2003) and Cole (2009) agree with Levine (1997) and maintain that the issue is particularly acute in developing, countries where the banking system may be subject to political capture.

Apart from financial development and financial friction, the literature also provides evidence that suggest a positive correlation between individual wealth and the propensity to become an entrepreneur. Evans and Jovanovic (1989) develop a model which explains that the propensity of individuals to become entrepreneurs is a function of their personal wealth. According to the model, the amount an individual can borrow to fund a new business is a function of the collateral that he or she can post, which in turn is a function of personal wealth. If the amount the entrepreneur needs to borrow is sufficient to cover the capital required to start the business, then the entrepreneur is said to be unconstrained but if on the other hand, the entrepreneur needs to invest more than he or she can borrow, then a liquidity constraint leads to sub-optimal investment for the project at hand (Kerr and Nanda, 2009).

Other studies that also emphasize the relationship between personal wealth and entrepreneurship are those of Evans and Leighton (1989), Faille (1999), Quandrini (1999), Gentry and Hubbard (2001). In a related study, Andersen and Nielsen (2011) use natural experiment to investigate why financial constraints appear to limit firm formation. Exogenous variation in wealth that results from unexpected inheritance due to sudden death allows them to identify 304 constrained entrepreneurs, who start a business after receiving windfall wealth. They then compare the performance of these ventures with that of a matched sample of individuals who form businesses at the same time to test whether financial barriers to entrepreneurship are caused by market failure or low entrepreneurial ability. Their finding indicates that constrained entrepreneurs’ ventures have significantly, lower survival rates and are less profitable than those of unconstrained entrepreneurs.

In like manner, Kerr and Nanda (2009) express the view that liquidity constraints are one of the highest concerns impacting on potential entrepreneurs around the world. They review two major streams of research examining the relevance of financing constraints for entrepreneurship, namely, financial market development and personal wealth. They then introduce a framework that provides a unified perspective on these research streams.

The underlying prediction of the personal wealth-entrepreneurship model is that the propensity to become an entrepreneur is a function of personal wealth if potential entrepreneurs are credit constrained. Given the fact that collateral is a significant requirement by credit or financial market for granting of credit to fund entrepreneurial ventures, wealthy individuals are less likely to be constrained for a given venture, since collateral is a function of personal wealth.

III. Relevance of Entrepreneurial Development Training in Nigeria

An entrepreneur is a person who perceives a need and then brings together manpower, material and capital required to meet that need. In other words, an entrepreneur is an individual or team that identifies the opportunity, gathers the necessary resources, creates and ultimately responsible for the performance of the organization. An entrepreneur is the decision taker, the risk bearer, co-coordinator and the organizer of a business venture.

To this end, an entrepreneur is required to possess the qualities of adventurism, willingness to face risks, innovative urge and creative power. Without these qualities the chances of individual venturing into entrepreneurship to be successful are very slim. It is on this premise that proper entrepreneurial development training becomes imperative. Entrepreneurial development training provides individuals with insights into entrepreneurship, namely, financial market development and personal wealth. The relevance of entrepreneurial development is viewed in terms of its positive correlation with economic development. To a large extent, economic development in any country depends on the quantum of material and human resources available in that country. But economic development cannot be achieved without the coordination and organization of these resources into productive uses, which is the function of entrepreneurs. Specifically entrepreneurial development training becomes important in Nigeria because it is geared towards achieving the following:
a) Job Creation

Creating employment opportunities for graduates and other school leavers is one of the greatest things the entrepreneurial development training is designed to achieve. The role of government in providing employment opportunities for graduates and school leavers in Nigeria is fast shrinking. Paving the way for acute unemployment problem in the country. Entrepreneurial development training has the advantage of making graduates to become self employed and in turn create jobs for other school leavers. In the words of King and Levine (1993a, 1993b) “entrepreneurship plays an important role in job creation and economic growth”. Thus entrepreneurship is the best way to fight the evil of unemployment in Nigeria.

b) Wealth Creation and Poverty Eradication

The poverty level in Nigeria is alarming. According to national Bureaus of statistics (2010), the percentage of Nigerians living in absolute poverty rose from 27.2 percent in 1980 to 60.9 percent in 2010. Again, BBC news report of February 13, 2012 maintains that poverty has risen in Nigeria with almost 100 million people living on less than $1 (one US Dollar) a day. This is indeed worrisome. Entrepreneurial development training can help people become self employed, create wealth and hence fight poverty. According to Kerr and Nanda (2009), entrepreneurs tend to be significantly wealthier than those who work in paid employment. Not only are entrepreneurs wealthier, but also the wealthy are more likely to become entrepreneurs. In the same vein, Gentry and Hubbard (2004) observe that entrepreneurs comprise just fewer than 9 percent of households in the U.S., but they hold 38 percent of household assets and 39 percent of the total net worth. Entrepreneurial development training can help create wealth and fight poverty in Nigeria.

c) Balance Regional Development

Entrepreneurial development programme helps in creating small and medium scale entrepreneurs whose businesses are established across the length and breadth of the country and right into the remote areas unlike large-scale enterprises which require large capital out lay and are often established in urban centres, small and medium scale enterprises require relatively small capital resources and can be set up both in the urban and rural areas. Thus entrepreneurial development training will inculcate in Nigerian graduates the skills to spread industrial establishment in every nook and cranny of the country, reduce concentration of economic power in a few individuals and ultimately foster balanced regional development.

d) Economic Independence

Entrepreneurial development brings about economic independence to a country. Entrepreneurs produce goods and services in response to both domestic and foreign demand. They produce in the domestic economy goods that were hitherto imported, for domestic consumption; and they also produce for the export market. To this end, entrepreneurship encourages import substitution industrialization and export promotion which are cardinal for economic independence of a country.

e) Reducing Unrest and Social Tension Among Youth

Unemployment among youth to a large extent contributes to many problems associated with youth and social tensions the world over. Every young person gets frustrated if he or she does not get employment after completing his/her education. In the face of dwindling wage employment provided by government and other large-scale private businesses, self employment obtained through entrepreneurial development training is the only viable option. In Nigeria today, social vices like youth militancy, hostage-taking and kidnapping, prostitution and “Boko-haram” insurgency are all blamed on unemployment. As the saying goes “the idle mind is the devil's workshop" given this ugly trend, it becomes imperative for Nigeria, through entrepreneurship development programme to divert the youth attention away from wage career to self employment career. This will go a long way in defusing social tension and unrest among youth.

f) Capital Formation

Entrepreneurship results in capital formation. Entrepreneurs engage in the production of goods and services through the use of factors of production. These factors of production would be ineffective and useless without being coordinated and harmonized by the entrepreneurs for productive purposes. Thus entrepreneurs are the organizers of productive resources who use their own and borrowed funds to establish new ventures and hence contributes to the process of capital formation.

g) Improvement In Living Standards

Entrepreneurial development training inculcates in entrepreneurs the skills with which to explore and exploit new opportunities which lead to productive use of factors of production for enhanced output, employment and wealth creation. Enhanced production of goods and services reduces costs and widens consumers’ choice with the ultimate positive effect of improvement in living standards.

h) Encouraging inward-looking and Local Harnessing of Resources

Entrepreneurial development training has the advantage of developing local crafts which would require local sourcing of resources at relatively lower costs. Nigeria is one of the most blessed nations on earth, bestowed with vast human and material resources. These resources are cardinal to any
meaningful industrialization of a country. In as much as technological transfer is desirable, the real strength of industrialization, in an underdeveloped country like Nigeria depends on the involvement of local entrepreneurship in such industrialization process.

i) Innovations and Competition in Enterprises

The importance of innovation has been stressed by Schumpeter (1912). Business enterprises have to be innovative for their survival and better performance. Healthy competition among firms would also make them to be innovative and increase their productivity. Entrepreneurial development training in Nigeria would assist in training fresh graduate or potential entrepreneurs to acquire innovative and competitive skills to drive their enterprises.

j) Facilitating Overall Development

Entrepreneurs create a motivating environment for economic development of a country. They use the country’s limited resources in conjunction with their acquired skills to create business friendly environment and opportunities for accelerated economic development. Entrepreneurial development training therefore would create entrepreneurs in Nigeria to serve as agents of rapid economic development.

IV. FINANCING ENTREPRENEURSHIP IN NIGERIA

For enterprises to kick start and blossom, capital is cardinal. Entrepreneurs need start up capital to invest in their projects as well as operating capital to finance everyday expenses. Acquiring the entrepreneurial skills is a necessary condition but a sufficient condition entails that capital must be available for the conceived business idea to come to fruition. Presumably, individuals with very high levels of wealth should have enough finances to cover both these capital needs. However, individuals with moderate amounts of wealth may have enough finances to cover start up capital needs but lack necessary fiancé to cover operating capital needs. Given this scenario, the lofty business idea that is well conceived and initiated tantamount in a fiasco. More pathetic is the case of business idea that is well conceived and initiated but lacks operating capital needs. Given this scenario, the lofty start up capital needs but lack necessary fiancé to cover amounts of wealth may have enough finances to cover capital needs. However, individuals with moderate levels of wealth may have enough finances to cover both these capital needs. Presumably, individuals with very high levels of wealth are likely to be poor and cannot afford to finance their enterprises out of their personal wealth.

Table 1: Trend in Poverty Incidence in Nigeria, 1980-2010

<table>
<thead>
<tr>
<th>Year</th>
<th>Poverty Incidence (%)</th>
<th>Total Population (Million)</th>
<th>Population in Poverty (Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>27.2</td>
<td>73,698,099</td>
<td>17.1</td>
</tr>
<tr>
<td>1985</td>
<td>46.3</td>
<td>83,901,572</td>
<td>34.7</td>
</tr>
<tr>
<td>1992</td>
<td>42.7</td>
<td>100,592,242</td>
<td>39.2</td>
</tr>
<tr>
<td>1996</td>
<td>65.6</td>
<td>111,166,210</td>
<td>67.1</td>
</tr>
<tr>
<td>2004</td>
<td>54.7</td>
<td>135,999,250</td>
<td>68.7</td>
</tr>
<tr>
<td>2010</td>
<td>60.9</td>
<td>159,707,780</td>
<td>112.47</td>
</tr>
</tbody>
</table>


The ability to access capital for short and medium term needs is cardinal for the success of small businesses and entrepreneurs. To a large extent, it depends on the level of development of the financial market. A lot of studies in the literature have provided evidence that shows a positive correlation between financial market development and entrepreneurship. A common measure of financial market development is the ratio of stock market capitalization to GDP. Table 2 presents market capitalization of listed companies as a percentage of GDP for 5 emerging markets, Nigeria, South Africa, Malaysia, Singapore and Korea Republic between 2003 and 2012. For the period under review, Nigeria has the lowest market capitalization – GDP ratio. This indicates that the financial market in Nigeria is relatively not deep enough to successfully drive entrepreneurship. Given this development, startups or fresh graduate entrepreneurs are seriously constrained (table 2).

Table 2: Market Capitalization of Listed Companies (% of GDP) for Selected Countries, 2003-2012

<table>
<thead>
<tr>
<th>Year</th>
<th>Nigeria</th>
<th>South Africa</th>
<th>Malaysia</th>
<th>Singapore</th>
<th>Korea Republic</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>14.0</td>
<td>159.2</td>
<td>152.8</td>
<td>245.6</td>
<td>51.2</td>
</tr>
<tr>
<td>2004</td>
<td>16.5</td>
<td>207.9</td>
<td>152.3</td>
<td>253.4</td>
<td>59.4</td>
</tr>
<tr>
<td>2005</td>
<td>17.2</td>
<td>228.9</td>
<td>126.3</td>
<td>256.4</td>
<td>85.0</td>
</tr>
<tr>
<td>2006</td>
<td>22.6</td>
<td>273.9</td>
<td>144.7</td>
<td>198.6</td>
<td>87.8</td>
</tr>
<tr>
<td>2007</td>
<td>52.0</td>
<td>291.3</td>
<td>168.3</td>
<td>209.5</td>
<td>107.1</td>
</tr>
<tr>
<td>2008</td>
<td>24.0</td>
<td>179.9</td>
<td>81.0</td>
<td>100.6</td>
<td>53.1</td>
</tr>
<tr>
<td>2009</td>
<td>19.8</td>
<td>248.2</td>
<td>126.6</td>
<td>160.1</td>
<td>100.3</td>
</tr>
</tbody>
</table>
Entrepreneurs face regular cash outflows such as rent and utility bills, vendor bills and salaries for employees. But cash inflows for such small and fresh businesses or startups are characterized by uncertainty. In other words such fresh and small businesses are characterized by more of cash outflows than cash inflows. This is the major liquidity constraint which the fresh graduate entrepreneurs will face. Because of the importance attached to short-term capital by small enterprises to meet immediate business needs entrepreneurs may strive hard to get this capital even at higher rates to balance any observed discrepancies between cash outflows and cash inflows, depending on their ability to provide collateral required for such external funds. The cost of capital in Nigeria is very high compared to other emerging markets. Table 3 shows bank lending rate that usually meets the short-term financing needs of private sector in 5 emerging markets, Nigeria, South Africa, Malaysia, Singapore and Korea Republic. From the table, it is crystal clear that the lending interest rates in Nigeria are the highest, posing a serious liquidity constraint on fresh and small-scale businesses in their quest to use external funds from financial institutions to finance their enterprises.

### Table 3: Lending Interest Rate (%) For Selected Countries, 2003-2012

<table>
<thead>
<tr>
<th>Year</th>
<th>Nigeria</th>
<th>South Africa</th>
<th>Malaysia</th>
<th>Singapore</th>
<th>Korea Republic</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>20.7</td>
<td>15.0</td>
<td>6.3</td>
<td>5.3</td>
<td>6.2</td>
</tr>
<tr>
<td>2004</td>
<td>19.2</td>
<td>11.3</td>
<td>6.0</td>
<td>5.3</td>
<td>5.9</td>
</tr>
<tr>
<td>2005</td>
<td>17.9</td>
<td>10.6</td>
<td>6.0</td>
<td>5.3</td>
<td>5.6</td>
</tr>
<tr>
<td>2006</td>
<td>16.9</td>
<td>11.2</td>
<td>6.5</td>
<td>5.3</td>
<td>6.0</td>
</tr>
<tr>
<td>2007</td>
<td>16.9</td>
<td>13.2</td>
<td>6.4</td>
<td>5.3</td>
<td>6.6</td>
</tr>
<tr>
<td>2008</td>
<td>15.5</td>
<td>15.1</td>
<td>6.1</td>
<td>5.4</td>
<td>7.2</td>
</tr>
<tr>
<td>2009</td>
<td>18.4</td>
<td>11.7</td>
<td>5.1</td>
<td>5.4</td>
<td>5.6</td>
</tr>
<tr>
<td>2010</td>
<td>17.6</td>
<td>9.8</td>
<td>5.0</td>
<td>5.4</td>
<td>5.5</td>
</tr>
<tr>
<td>2011</td>
<td>16.0</td>
<td>9.0</td>
<td>4.9</td>
<td>5.4</td>
<td>5.8</td>
</tr>
<tr>
<td>2012</td>
<td>16.8</td>
<td>8.8</td>
<td>4.8</td>
<td>5.4</td>
<td>5.4</td>
</tr>
</tbody>
</table>


Generally speaking, the task before the entrepreneur is a herculean one. After conceiving a business idea, he or she needs money to cover the business expenses such as;
- Pre-operation expenses which include payment for legal/registration of business and payment for consultancy services.
- Initial working capital used for the payment of consumable factors/inputs.
- Operating cash flow for the day to day running of the business.
- Payment for fixed assets which may include land, land development, furniture, equipment etc.

However, it is worthy to note that the expenses required are dependent on the level of sophistication of the enterprise in question. Having identified the various types of expenses incurred by businesses, a vital question to ask is, how do entrepreneurs source for funds in Nigeria? The answer of course is not far fetched. Entrepreneurs can source for funds through the following ways:

a) Owner’s Equity

This is the most reliable source of funding in business. Because it puts less pressure on the entrepreneur even if the business fails. It is essentially the owner’s fund contribution in the business. Owner’s Equity to a large extent depends on the personal wealth of the entrepreneur.

b) Loan

This is a facility granted to the entrepreneur with obligation to pay both the principal and the accrued interest at an agreed date. Loans can be granted either by private sources or financial institutions. Loans may be short term, medium term and long term. Others are overdraft, syndicated loans, trade credit, loan from credit/thrift co-operative societies and equipment leasing. Loans are dependent on the entrepreneur’s personal wealth and the level of development of the financial market.

c) Grant

This refers to an allowance that a government or an organization gives to support small business in the county.

The processes involved before an entrepreneur accesses a loan, especially from financial institutions are cumbersome. And in most cases the interest rates at
which such loans are given are high as shown by table 3 in the Nigerian case. These constitute serious constraints to startup ventures in Nigeria. For example an entrepreneur is expected to present the following: The profile of the enterprises, description of products or services being rendered, technical profile of the business, marketing profile, and manpower structure and accounting/profitability index.

V. SUMMARY AND CONCLUSION

The paper has attempted first to justify the establishment of the entrepreneurship development centers in Nigerian Universities by showing the relevance of entrepreneurship development program on overall national development of a country, and second, to examine the difficulty which the fresh graduate entrepreneurs may likely encounter in the area of financing startup enterprises.

As the saying goes, “when there is a will, there is a way”. In spite of the identified difficulties or liquidity constraints, the paper concludes by recommending that the objective of the entrepreneurship development scheme is achievable if the small businesses embrace and inculcate in them five strong-will-powers as their business anthem. These powers are:

a) Mind Power

The success of any business starts first in the mind. The mind is the master power that moulds and makes things work.

b) Planning Power

Entrepreneurs optimize business performance by preparing for the future and show a high level of future orientation necessary for achieving a higher goal and making their dreams come true.

c) People Power

No single entrepreneur has all that it takes to make a business successful. He or she needs people as associates, business partners, consultants etc. the right choice of such categories of people matters.

d) Knowledge Power

Business requires a set of skills and knowledge for optimum performance. This is what the entrepreneurship development centre will provide.

e) Gearing Power

Finance or money is what accelerates business enterprises to optimum performance and success. It is the most important determinant of entrepreneurship. But the fresh graduate entrepreneurs in Nigeria may not be able to raise all the money they need for the optimization of the potential of their businesses given the high level of poverty in the country and the underdeveloped nature of the Nigerian financial market. To this end, the government should come in, first, by carrying out more vigorous financial market reform aimed at developing the Nigerian financial market to international standards. In this respect, the series of reforms in the financial sector since 1987 are seen as a step in the right direction. Second by establishing a financial institution akin to the Nigerian Industrial Development Bank (NIDB), that was set up to cater for the needs of industrialists in Nigeria. This financial institution will be solely responsible for giving grants to fresh graduates at the end of their National Youth Service Corp (NYSC) year, to start businesses of their choice. To prevent diversion of the grants, the financial institution should adopt the method of equipment leasing, where the business materials or inputs are supplied to the entrepreneurs rather than giving them physical cash. This of course should be after when the business plan has been examined and certified feasible. Thereafter, a certain percentage should be given to them in cash to take care of the business day to day operating expenses, depending on the level of sophistication of the business.

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