

**The Impact of Personal Agency Belief (Entrepreneurship) on Enterprise
Performance: A Case of Microenterprises in Nigeria.**

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Abstract

Microfinance interventions have contributed significantly to small business development. Their impact include increased business income, improved access to life enhancing facilities and empowerment of people particularly women. The success story of microfinance schemes notwithstanding, they have the problem of excluding the poorest of the poor and at times do not have the characteristics that encourage entrepreneurial development. This study evaluated the role of cooperative thrift and credit societies in entrepreneurial development and enterprise performance. The specific objectives of the study are to: 1) estimate the effect of membership of cooperative thrift and credit society on enterprise performance 2) know whether there is a significant difference between personal agency belief of members and non-members of cooperative thrift and credit society; 3) assess the impact of personal agency belief (entrepreneurship) on enterprise performance; and 4) make policy recommendation to the government and small scale enterprises in Nigeria.

The study area was Osun State of Nigeria. In this state a comparative study of different types of microentrepreneurs was undertaken. Questionnaires were administered to three groups of microentrepreneurs: cooperative thrift and credit society's members, non-members who obtain finance from other sources and those who do not have access to external finance. This study suggested that the entrepreneurial ability, accessibility to credit and business success of people in cooperative thrift and credit societies are significantly different from non-members.

Keywords

Personal agency belief; Perceived self efficacy; Locus of control; Cooperative thrift and credit society; Entrepreneurship

BACKGROUND

Microenterprises are generally defined as commercial enterprises that have ten or fewer employees (USAID, 2002; EUROPA, 2003; Ajibefun and Daramola, 2003), but Allal (1999) suggests that microenterprises have less than five employees. Low and moderate-income individuals generally start microenterprises for the purpose of creating their own job or providing extra income for themselves and their families. "Microenterprise development" is the process of providing services such as training and technical assistance to new, prospective, and experienced business owners (Ducheny, 2004). Microenterprises face different challenges in Nigeria. Some entrepreneurs surveyed in

Lagos and Ibadan mentioned money (credit), followed by lack of raw materials, sluggish demand and shortage of customers, insufficient working space, limited access to (modern and imported) equipment goods such as machines, tools or spare parts as well as insufficient supply of electricity and water (Siebel, 1996).

Microfinance is a programme, which extends small loans to very poor people that helps them to take care of themselves and their families. The loans are administered in such a way that the beneficiaries will be able to pay back within a maximum period of two years and application procedure depends on the particular microfinance scheme. It gives them the opportunity to be self-employed in ventures that generate income. Microfinance characteristics include financial intermediation and focus on the poor. Although, the scheme may be better than commercial banks for financial intermediation and social responsibility, they most of the time do not reach the intended beneficiaries.

Different authors (Otero and Rhyne, 1994; Hulme and Mosley, 1996; Zeller *et al*, 1997) reports that microfinance would aid microenterprise development in developing countries. These authors argued it is only through microfinance that the small business can get capital to run their business. Apart from this, availability of finance can also develop the entrepreneurial qualities in these small business holders. This is so because; access to credit might encourage boldness and innovativeness that are important for good contingency and competence.

Provision of rural credit can either be formal or informal. Formal intervention involves paper work and official procedures while informal intervention is based on social interaction with little or no paper work. Formal interventions in the provision of rural credit in Nigeria have been bedeviled by a multiplicity of problems such as gross inadequacy in staffing, organization and management as well as poor loan recovery (Soyibo, 1997). Apart from this, the interest rate charged by the formal sector is usually high, accessibility may be difficult because of requirements for collateral and the formal sector never gives incentives that will lead to entrepreneurial development. While the formal sector has performed woefully in the provision of credit the informal sector is doing reasonable well (Soyibo, 1997; Falaiye, 2002).

As cited in Afrane (2002), delivery of microcredit to operators of small and medium enterprises (SME's) in developing countries is continually viewed as a means of assisting the so-called "working poor". This is logical if the institution delivering the credit is sustainable; most of the programmes by the federal government of Nigeria were not sustainable because of the failure to consider the importance of participation and social interaction through group activities in economic development. Falaiye (2002) demonstrates the importance of social interaction in her study of the impact of Country Women of Nigeria –a microfinance institute on the economic condition of women in Nigeria. She discovered that loans were given to groups with social ties, because the NGO has discovered that social ties within groups make loan repayment easier.

Promoting innovations and institutions building in financial markets for the poor must be an integral component of development of rural development policy (Zeller et al, 1997). To achieve microenterprise development there must be a broader role for rural finance. The public sector must create an enabling environment and there must be a synergetic cooperation between informal and formal finance. Formal intervention in the provision of rural credit in Nigeria has performed badly, to the extent that it defrauds the poor (Soyibo, 1997). Inadequate understanding of the working of rural credit markets has been cited as a major reason contributing to bad performance of formal institutions (Hoff and Stiglitz, 1990).

Informal institutions like cooperative thrift and credit societies, have some formal characteristics (like registration with the government, operational policy and loan application procedure), understand the needs of rural communities, and can support entrepreneurship within the group, apart from making credit available for their members. Badan Kredit Desas (village credit organizations) of Java and Madura in Indonesia have had success on members' betterment (Margeurite, 2001). Various workers cooperative thrift and credit societies in Nigeria have also made life more interesting for their members by purchasing assets through loans they got from the society.

New innovative microfinance institutions have shown potential to reach people below the poverty line but many of the poorest of the poor are excluded (Zeller *et al*, 1997). Based on this problem of exclusion, a participatory approach, which assures that the poor are the only ones that can decide their faith through cooperative association, may be desirable. These societies have informal characteristics in terms of social relations but are semi formal in terms of operation.

Microentrepreneurs can come together to get their societies registered, mobilize saving, give out loans to members at a certain percentage of their savings and charge a low interest rate. The interest should be deducted before the money is given out and the member borrowing is given a specified period to pay back. Loan repayment can also be rescheduled depending on the situation of the borrower since members have social ties, which hold them together. This system will make funds available for low-income people, eliminate the issue of default and promote sustainable livelihood. Profit is not the motive of this organization. The ultimate goal is to encourage thrift among the microentrepreneurs and to meet the credit needs of people who might otherwise fall prey to loan sharks and other predatory lenders.

In conclusion, the incidence of poverty in Nigeria is becoming more severe, but this situation may be reversed through the availability of funds for small businesses in the rural areas. Entrepreneurial development can lead to economic development, although formal credit institutions have failed to promote it. An institution based on participation and social interaction has the potential to increase self-confidence, promote

entrepreneurship and lead to rural development and poverty alleviation. This is the subject of this paper.

WHY THIS STUDY IS NECESSARY

In Nigeria, micro, small and medium scale enterprises face barriers to get credit needed to make their businesses viable. Microenterprise development, in the form of more business start-ups, reduced failure rates and enterprise growth, is a strategy for rural development and poverty alleviation. The present credit institutions like the NACRDB – Nigerian Agricultural Cooperative and Rural Development Bank and commercial banks are not reaching these small and medium scale enterprises and when they reach them they do nothing to promote entrepreneurship.

The economic problem of this study is that microenterprise development is hindered by access to credit and at times the entrepreneurial skills and attitudes required by the poor to develop their enterprises. Cooperative, thrift and credit societies have evolved over time in an attempt to address these problems, but the impact of cooperative, thrift and credit societies in Nigeria has not been assessed. Thus, a rigorous economic analysis is required, in order to improve our understanding of the role of cooperative, thrift and credit societies in entrepreneurial and enterprise development.

This study is important because it will indicate how small-scale entrepreneurs can be promoted through cooperative, thrift and credit societies. It is also of value for the government to formulate policy that will create an enabling environment for cooperative thrift and credit societies as a means to microenterprise development. Thus, the study will assess the impact of cooperative thrift and credit societies as a microcredit institution on microenterprise development in Nigeria.

The specific objectives of the study are to: estimate the effect of membership of cooperative thrift and credit society on enterprise performance; show that members of cooperative thrift and credit society have good personal agency when compared to non-members; to estimate the effect of personal agency belief on enterprise performance; and prescribe desirable policy for stakeholders in small business development.

METHODS

Study Area

The area for this study was southwestern Nigeria. One of the six states in southwestern Nigeria, Osun State, will be selected because this area is a semi-urban state and accessibility to the relevant institution is relatively easy. The Federal Military Government of General Ibrahim Babangida created the State of the “living spring” out of the former Oyo State on August 27, 1991. The State has an area of approximately 8, 602

square kilometres. It is bounded in the south by Ogun State, in the north by Kwara State, in the west by Oyo State and in the north — east by Ekiti State. Osogbo is the capital of the state. It is about two hours drive to Lagos and seven hours drive to Abuja. The population of the State is put at 2.2 million.

Survey of Microentrepreneurs

The microenterprises for this study were enterprises with at most five employees. The sectors that were considered are the food and agricultural processing sector. For the purpose of this study microentrepreneurs were divided into three types:

- 1) Microentrepreneurs that are Cooperative thrift and credit society's members;
- 2) Microentrepreneurs who are not members of Cooperative thrift and credit societies, but have access to other types of finance in the previous five years; and
- 3) Microentrepreneurs who have not had access to external finance in the past five years.

Before the final administration of the questionnaire, a pretest of the questionnaires on the three groups was undertaken. A total of fifteen respondents selected purposively and equally from each type was used for the pre-test. The criteria for the recruitment of microentrepreneurs for the survey proper are indicated in Table 1.

Table 1 Here

The questionnaires were administered to 144 Cooperative thrift and credit society members (25 percent of the sampling population of 576). To have consistency the same number of non-cooperative members with access to finance and also entrepreneurs who have not had access to any type of credit in the previous five years was surveyed. The cooperative members were selected based on simple random sampling within a known and defined sampling frame. The non-cooperative members with finance and microentrepreneur with no finance support were selected based on purposive sampling.

The questionnaire asked questions on characteristics of respondents, nature of business, sales and profitability, business objectives, changes to business, business problems, entrepreneurship, savings and loans. Entrepreneurship (Personal Agency Belief) was measured by multiplying locus of control (LOC) with perceived self efficacy (SE) (Harper, 2003). This is not arbitrary because it captures the idea that a high level of perceived internal locus of control and perceived self-efficacy is required for strong agency belief.

To measure locus of control (LOC), respondents were asked to indicate the extent to which they agree or disagree with the following statement using five-point scale.

Ten items comprise the locus of control scale (adapted from Rotter 1966):

Table 2 Here

Perceived self-efficacy (SE) was measured using five entrepreneurial roles as identified by Chen. *et.al* (1998). These roles are marketing, innovation, management, risk taking and financial control (Table 3). Respondents were asked to indicate their degree of certainty in performing each of those roles/tasks on a five point scale ranging from 1= completely unsure to 5 = completely sure. To reduce social desirability in reporting perceived self-efficacy in the survey instrument the enumerator emphasized the importance of honest for self-assessment, promise confidentiality and respondent has the right to withdraw from the survey at any time. Original LOC and efficacy scores were used in this study to calculate personal agency belief and in the construction of the dichotomous dependent variable.

Table 3 Here

The scales (locus of control and perceived self efficacy scales) were tested for reliability. Cronbach's alpha scores were in the acceptable range of 0.57 (locus of control) and 0.89 (perceived self efficacy). Although, the alpha score for locus of control is a little bit low, Mueller and Thomas (2000) reported a lower value of 0.53 for Slovenia. The value for SE is very good because Chen.*et.al* (1998) had a value of 0.89, when the scale was first tested for reliability.

Descriptive statistics and Logistic regression analysis were used to analyze data collected. In specification of the regression model, the Jovanovic (1982) learning model was adapted to suit the context of the analysis. In Jovanovic learning model firms are perceived to possess innate and immutable cost parameters, which is the managerial ability of the firm's proprietor. In this study, I extended this model further to consider the effect membership of cooperative thrift and credit society and personal agency belief on the growth of the firm. This model apart from measuring the impact of cooperative society will improve our understanding on what factors other than age, size and managerial ability affect firms' growth. The model for the study is specified below:

Different measures of performance were used in this study, which include annual growth in savings – investment (Nafziger, 1977), profit, employees and sales (Delmar, 1997; Van Praag, 2005, Wood, 2006). Logistic regression, which applies maximum likelihood estimation, was used because it does not assume linear relationship and does not require normally distributed variables. It also does not assume homoscedasticity and has less stringent conditions. Apart from the above, this method gives unbiased estimate (King and Zeng, 2001(a) (b); Davidsson and Honig, 2003; Wagner, 2004 and Davidsson, 2004 as cited in Davidsson, 2004).

The Independent variables in the model were personal agency belief, ethnicity, gender, managerial ability, whether the microentrepreneur has borrowed from a financial institution in the last five years, membership of Cooperative Thrift and Credit Societies, number of employees, enterprise age, household size and age of respondent. Murphy, *et.al* (1990) and Porter (1990) suggest that entrepreneurship increases growth. Enterprise age, enterprise size (number of employees) and managerial ability were included based on different theoretical and empirical studies (Nafziger, 1977; Jovanovic, 1982; Pakes and Ericson, 1987; Parker, 1994; Cabal, 1995; McPherson, 1995). Many authors have enunciated the importance of ethnicity (Davidson, 1997; Bell and Nkomo, 2001; MacPherson, 2001; Pringle and Wolfgramm, 2005), middlemen theory proposes that ethnic groups create businesses to survive (Butler and Herring, 1991) and the enclave theory stresses the development of small business enterprises within ethnic communities (Portes and Manning, 1986). Availability of external finance is also a very important variable for enterprise growth (Liedholm and Mead, 1999; Gompers and Lerner, 2001; Akabueze, 2002; Audretsch, Keilbach and Lehmann, 2006).

Cooperation reduces transaction cost and creates a positive externality, which stimulates economic growth (Svenden and Svenden, 2004). A high level of entrepreneurship capital will enhance economic performance, thus entrepreneurship is positively linked to performance (Audretsch and keilbach, 2004). Variables were also included based on their suitability for the study, experience from in-depth interview, participant observation and past studies. Pearson partial correlation indicated that there was no serious correlation among the variables. Variance inflation factor (VIF) was also in the acceptable range, in otherwords, there is no linear dependence or multicollinearity. Autocorrelation is not a problem because this is a cross sectional study and heteroscedascity which is usually the problem of cross sectional studies had been solved by using logistic regression which does not assume homoscedasticity. Table 8.9, shows the impact of all the aforementioned independent variables on enterprise performance.

A regression equation of the form below was estimated. This specification was used to assess the impact of finance, personal agency belief and other characteristics of the microentrepreneurs on microenterprise performance.

$$Y = f(X)$$

Y- Annual Growth in Sales/ Profit/ Savings/number of Employees

X₁-Personal Agency Belief

X₂ -Ethnicity (1 = Yoruba, 0 = otherwise)

X₃-Gender (1 = Female, 0 = otherwise)

X₄- Managerial Ability¹

X₅- Dummy (1= entrepreneur obtained external finance in the last five years, 0 = otherwise)

X₆- Dummy (1 = member of Cooperative Thrift and Credit Societies, 0 = otherwise)

X₇- Enterprise size (number employees)

X₈- Enterprise Age

X₉- Household size and X₁₀- Age of Respondent.

RESULTS

Characteristics of Respondents

This section describes the characteristics of respondents in the sample. A description of the respondents will help us to understand what a microentrepreneur in Nigeria is. This analysis will help in making tailored made policy for microenterprise development in this country. Overall, 102 (23.6 %) of the respondents were male while 330 (76.4 %) were female. The Nigeria Demographic and Health Survey (NDHS, 2003) of 35,173 persons indicates that the ratio of male to female in population is 1:1. Since the percentage of female to male in this study is more than 75 per cent it shows that women are the people that are involved in microenterprises in the study area.

A large percentage of the microentrepreneurs were between the ages of 45-54. The mean age of the entrepreneurs was 43.44yrs. Three hundred and seventy four (88.6%) of the respondents were Yoruba while 58 (13.4%) belongs to other ethnic groups. Most of the respondents were married. Around ten per cent were single, 7.4 per cent are widowed and only very few (1.6%) of them were divorced.

Educational attainment is a very important characteristic that affects the managerial ability of microentrepreneurs and may at times have an indirect effect on their entrepreneurial ability. A high number of the microentrepreneurs spent between 11-15 years in school. The mean number of years of schooling in southwestern as indicated by Nigeria DHS survey is 7.5 years while in this survey of microentrepreneur the mean number of years was 9.7 years which shows that microentrepreneurs spend more time in school than other members of the population. Whether this has a positive effect on their entrepreneurial ability is not clear.

¹ Managerial ability was measured using an equivalent weight scale that was comprised of years of formal education, highest level of schooling, ability to keep records and training.

In addition to the aforementioned, 23.7 per cent and 34.2 per cent of microentrepreneurs surveyed in 2005 have secondary and post secondary qualification while the DHS survey indicates that only 13 per cent and 9.1 per cent of the respondent completed secondary and post secondary education. Microentrepreneurs usually do business in a terrain that they are familiar with. In this study only 12.4% of the respondents have spent less than 10 years in the community. In fact 36.4% of the respondents have spent between 21-30 years in the community.

According to NDHS (2003) the average household size in Nigeria is 5.0 persons. The average household from this study was 5.49 persons while the median was 5.00 persons. This shows that household characteristics of the households in this survey are representative of what obtains in Nigeria. Close to 44 per cent of the households in the sample have either five or six members. The number of people earning income in the microentrepreneurs household ranges from zero to six. Around 68 per cent of the microentrepreneurs live in households where two members earn income.

A large percentage of entrepreneurs rely on their spouse to make decision in the household. Half of the respondents rely on their spouse on decision making in the household. The principal decision maker in these households is the spouse because the respondents' are women and it is the norm for the husband to be the head of the family except in cases where the husband is dead or incapacitated.

Sales and Profitability

This section examines the sales and profitability of microenterprises in the study. It is important to know how well the microenterprises in the study area are doing and whether their source of finance substantially affect their sales and profitability. Table 4, shows the mean sales for a period of five years (2001-2005). The average sales for 2001 was 1.24 million while it was 1.81 million for 2005, this shows an increase in sales for the specified period. The cooperative category has better sales in all the years. ANOVA (Analysis of Variance) also showed that the mean values for each year were statistically different and significant at the 0.01 level for the three categories of finance.

Table 4 Here

Figure 1 also shows the percentage change in sales of microenterprises in the study area. The modal percentage change was between 1-50 per cent and the percentage of enterprises that have witnessed growth was more than those who are not growing.

Figure 1 Here

A comparison of the percentage change in sales of the different category of finance (Figure 2) indicated that the non-cooperative finance had the highest frequency in the less than 50 per cent change in sales. The no finance category had more respondents with greater than 50 per cent but less than 200 per cent change in sales while the cooperative finance had the more respondents over 200 per cent. It should be noted that percentage change is calculated based on previous performance of each entrepreneurs, so an entrepreneurs might have better percentage change in sale but lower volume of sales.

Figure 2 Here

Table 5, shows the mean profit for a period of five years (2001-2005). The average profit for 2001 was N337251.74 while it was N549019.74 for 2005, this show an increase in profit for the specified period. The cooperative category had better profit in all the years. ANOVA also show that all the mean values for each year were statistically different and significant at 0.01 level.

Table 5 Here

Figure 3 shows the percentage change in profit of microenterprises in the study area. As seen in the figure more microenterprise have witnessed increased in profit as compared to what obtains for sales in Figure 1. The frequency of microenterprises with more than 200 per cent change in profit was better than for sales.

Figure 3 Here

Percentage change in profit of the different category of finance is depicted in Figure 4. The figure shows that the non-cooperative finance had the highest frequency in the less than 50 per cent change in profit. The no finance category and cooperative finance had the more respondent over 200 per cent changes in profit.

Figure 4 Here

The mean percentage changes in sales were 137.44 per cent, 77.28 per cent and 193.34 per cent for entrepreneurs with cooperative finance, non-cooperative finance and no finance respectively. The mean percentage change in profit for members of cooperative thrift and credit society was 185.28 per cent, while it was 89.04 per cent for non-cooperative finance and 136 per cent for entrepreneurs who did not use external finance

in the last five years. The analysis above proves that members of cooperative have better performance especially with percentage change in profit.

Personal Agency Belief and Need for Achievement of Microentrepreneurs

Personal agency is the multiplication of locus of control and perceived self-efficacy. It is the actual measure of entrepreneurship in this study. Both the raw score and the normalized score indicates that members of cooperative thrift and credit societies are the most attracted to entrepreneurship, though the score for personal agency belief in the study area is generally low (Table 6). Analysis of Variance at 5% level of significance also revealed that the mean value of personal agency belief (Entrepreneurship) across the three categories of finance is statistically different.

Table 6 Here

Another measure that we use to analyze the entrepreneurial level of respondents in this study was the need for achievement. The study used the premise that entrepreneurs have intense need to achieve. According to McClelland (1987), the need for achievement is a distinct human motive that can be distinguished from others, he stated further that achievement motivated people have characteristics which include capacity to set high personal but attainable goals, concern for personal achievements rather than the reward of success and they are interested in job relevant feed back rather than attitudinal feed back.

Table 7, presents the need for achievement of the microentrepreneurs in the study area. The cooperative finance had the highest mean for getting approval from an expert. This means that they want to achieve and their inclination for achievement is higher than the other categories. They are less interested in reward for success as seen in the lowest average of 4.18 and 3.99 for needs “I want lots of money” and “I want respect from friends respectively”. They also like taking risk, which is pertinent to entrepreneurship. The analysis of variance indicated that the mean value across the three groups are not significantly different for statements; “I want to succeed on my own”, “I want to compete on my own”, “I want to work hard”, “I want to excel”, and “I do things that have certain payoff” at 5% level of significance.

Table 7 Here

Effect of Personal Agency Belief (Entrepreneurship) on Enterprise Performance

Table 8, below shows the impact of all the aforementioned independent variables on enterprise performance.

Table 8 Here

The values of the chi-squares for the four models show that they adequately describe the data. Nagelkerke R Square is a pseudo R square statistic based on comparing the likelihood of the current model to the “null” model (one without any predictors). Nagelkerke R square shows that 51 percent of the variation in annual growth in savings was explained by the model.

Exp (B) is used for interpretation and it is the ratio of the odds of the event of interest for one unit change in the predictor. $\text{Odds (High growth)} = \frac{P(\text{High growth})}{P(\text{Low growth})}$. In the table above personal agency belief, gender, managerial ability, membership of Cooperative Thrift and Credit Societies, number of employees and household size are useful in the predicting annual growth in savings. All these variables except household size had a positive relationship with annual growth in savings. In the case of membership of Cooperative Thrift and Credit Societies where Exp (B) was 2.83, it means that the odds of high growth in savings for a person who was a member was 2.83 times the odds of high growth in savings for a person who was not a member. The implication of the negative sign of household size is that the bigger the household less the odds of high growth in savings by 0.79 times.

Annual growth in employees’ model had 32 percent of its variation explained by the model. This variable was predicted by personal agency belief, whether the entrepreneur has borrowed from financial institution in the last five years, number of employees and age. Personal agency belief and number of employees had a positive effect on annual growth in employees while whether the respondent had borrowed in the last five years and his or her age had a negative effect annual growth in employees. Increase in personal agency belief will increase the odds of high annual growth by 1.27 times while increase in number of employees by one unit will increase the odds of high growth in employees by 1.24 times. In case of age, an increase in age by a year will decrease the odds of high annual growth in employees by 0.95 times while those who have borrowed in the last five years have less propensity to experience high growth in employees as compared to those who had not borrowed by 0.32 times.

The variables that predict the annual growth in profit include personal agency belief and gender, though it had a negative impact. The model explains Fifteen percent of the variation in annual growth in profit. In this model, being a female entrepreneur will reduce odds of having a high annual growth in profit by 0.40 times as compared to male. This is not very big and should be interpreted with care. Personal agency belief on the other hand still maintained its positive relationship and it increases the odds of high annual growth by 1.17 times. Annual growth in sales was predicted by personal agency belief, ethnicity and household size. An increase in personal agency belief by one unit increases the odds of high annual growth in sales by 1.15 times while an increase in the household size by one person increase the odds of high annual growth in sales by 1.14 times. In case of ethnicity being a Yoruba reduces the odds of high annual growth in sales by 0.30 times that of non-Yorubas. Gender had a negative impact on annual growth in

profit but a positive impact on annual growth in savings. In other words, women were better savers though they made less profit. Household size had a negative effect on annual growth in savings but a positive effect on annual growth in sales. The implication of this is that while large household might be depleting savings it had the advantage of promoting high growth in sales.

Ethnicity was only significant on the annual growth in sales. The result indicated that the Yorubas who were the predominant people in the study area had lesser odds of high growth in annual sales than non-Yorubas in the study area. This might be as a result of the fact that the non-natives came purposely to the area for economic reasons and will try as much as possible to put more effort to their business. Another reason might be that they are far away from home and have less social commitment that could compete with funds required for production. Finally, personal agency belief, which measures entrepreneurship, was a useful predictor of growth because it significantly affected the annual growth in all measures of performance (savings, employees, profit and sales). Although being a member of a Cooperative Thrift and Credit Societies was only a significant predictor of annual growth in savings we can infer that it has indirect effect on other performance measures since membership of the society predicts personal agency belief.

CONCLUSIONS AND RECOMMENDATION

Microenterprises in the study area sales and profit have increased in the last five years. The cooperative finance category had the best performance followed by no finance category, which came as a surprise. Entrepreneurship was measured as personal agency belief in this study. Personal agency belief is a multiplication of locus of control and perceived self-efficacy, the higher the score the higher the entrepreneurial ability of the respondent. The cooperative finance category had the best personal agency belief.

Enterprise performance was measured in the study using annual growth in savings, employees, profit and sales. The result of the logistic regression indicated that personal agency belief directly predict performance while membership of Cooperative Thrift and Credit Societies did not predict enterprise performance directly. Gender and household size presented an interesting result; gender had a positive effect on annual growth in savings but a negative effect on annual growth in profit. In other words, female had positive growth in savings as compared to male but male had a better tendency for high growth in profit than female. In the case of household size, its effect was negative on annual growth in savings but positive on annual growth in sales. Finally, this study contradicts earlier studies (Evans, 1987a, 1987b; Audretsch, 1995; Audrestch, Santarelli and Vivarelli, 1999 as cited in Tayamaz, 2005), which state that enterprise size has an inverse relationship with growth. In this study, enterprise size (number of employees) had a positive relationship with annual growth in savings and employees.

Based on the result of the study the Federal Government of Nigeria should develop policies that will create an enabling environment for the development and proper operation of Cooperative Thrift and Credit Societies. This is important because societies like this will serve as bedrock for the creation of entrepreneurs who are extremely alert to opportunities in their environment.

Informal finance should be developed and managed in such a way that their activities will give more desirable outcome. Microentrepreneurs feel comfortable borrowing from the informal sector. Even if the interest rate and collateral of banks is accessible to microentrepreneurs, they may still refuse to borrow from anything called bank. The name “Bank” may be a disincentive for borrowing, so people should be encouraged to do things their own way while a regulatory framework compatible with the people’s value system is in place to check exploitation.

Policy development should always involve all the stakeholders; otherwise people will make it fail even when the policy is supposed to be workable. The Cooperative Thrift and Credit Society is member owned so decision-making and participation is by all. It belongs to all members so they will try as much as possible to make it work. Development practitioners and researchers should also note that microentrepreneurs do not separate loans for production and consumption. To them a loan will make them better if they can spend it on their household consumption as well as their enterprise concurrently. Any loan specifically designed for production might exclude microentrepreneurs.

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Table1: Recruitment Criteria

Criteria	Nature	Limits
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1	Ownership	Owner
2	Number of employees	Less or equal to five
3	Sector	<ul style="list-style-type: none"> • Food / Agricultural processing
4	Credit	<ul style="list-style-type: none"> • Cooperative thrift and credit society members with finance in the last five years. • Other type of finance in last five years. • No finance in the last five
5	Location	Ile-Ife, Osun State, Nigeria

Table 2: Locus of Control

My success depends on whether I am lucky enough to be in the right place at the right time.

To a great extent my life is controlled by accidental happenings

When I get what I want, it is usually because I am lucky

My life is determined by my own actions

When I get what I want, it is usually because I worked hard for it

It is not wise for me to plan too far ahead, because things turn out to be a matter of bad fortune.

Whether or not I am successful in life depends mostly on my ability

I feel that what happens in my life is mostly determined by people in powerful positions.

I feel in control of my life.

Success in business is mostly a matter of luck

Source: Adapted from Rotter (1966)², as cited in Mueller and Thomas (2000)

Table 3: Perceived Self-Efficacy Scale

Marketing

² The original Internal-External Control Scale (I-E) scale developed by Rotter is a 29-item forced scale.

Set and meet market share goals
Set and meet sales goals
Set and attain profit goals
Establish position in product market
Product market analysis
Expand business
Innovation
New venturing and new ideas
New products and services
New market and geographical territory
New methods of production, marketing and management
Management
Reduce risk and uncertainty
Strategic planning and develop information system
Manage time by setting goals
Establish and achieve goals and objectives
Define organizational roles, responsibilities and policies

Risk-Taking
Take calculated risks
Make decisions under uncertainty and risk
Take responsibility for ideas and decisions
Work under pressure and conflict
Financial Control
Perform financial analysis
Develop financial system and internal controls
Cost controls

Source: Chen. *et.al*, 1998

Table 4: Mean Sale for the different Finance Category

Year	Cooperative Finance (N million) ³	Non-cooperative Finance (N million)	No Finance (N million)	Total (N million)
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³ 1 USD = N132 as at the time of survey

2005	2.96	1.09	1.41	1.81
2004	2.82	1.06	1.36	1.74
2003	2.78	1.06	0.73	1.48
2002	2.51	0.94	0.63	1.31
2001	2.10	0.84	0.85	1.24

Table 5: Mean Value of Profit for the different Category of Finance

Profit	Cooperative Finance (N)	Non-cooperative Finance (N)	No Finance (N)	Total (N)
2005	914914.53	361837.80	391579.56	549019.74
2004	790625.42	347082.30	296450.06	473331.84
2003	738092.22	322069.56	228861.59	415150.63
2002	781909.05	280076.23	175456.25	393057.69
2001	580080.61	251204.60	202692.20	337251.74

Table 6: Personal Agency Belief

Finance	Mean Score	
	Raw Score	Average
Cooperative Finance	2751.04	2.50
Non-cooperative Finance	2139.02	1.94
No Finance	2362.82	2.15
Total	2417.63	2.20

Table 7: Need for Achievement

	Cooperative Finance	Non-cooperative Finance	No Finance	Total
I always want approval from an expert before making decision	3.40 (1.14)	3.06 (1.07)	2.79 (1.20)	3.08 (1.16)

I want to make lots of money	4.18 (0.92)	4.56 (0.56)	4.29 (0.79)	4.34 (0.78)
I want to succeed on my own	4.25 (0.74)	4.38 (0.59)	4.37 (0.75)	4.34 (0.70)
I want respect from friends	3.99 (0.87)	4.24 (0.58)	4.06 (0.88)	4.10 (0.79)
I want to compete and win	4.30 (0.76)	4.34 (0.62)	4.15 (0.85)	4.26 (0.75)
I want to work hard	4.51 (0.57)	4.46 (0.59)	4.58 (0.56)	4.52 (0.57)
I want to excel	4.58 (0.54)	4.58 (0.56)	4.51 (0.56)	4.56 (0.55)
I have good expectation of my abilities	4.32 (0.55)	4.20 (0.60)	4.39 (0.61)	4.31 (0.59)
I do things that have certain payoff	3.80 (0.77)	3.83 (0.67)	3.85 (0.64)	3.83 (0.70)
I do not like taking risks	2.57 (1.04)	3.38 (1.10)	3.65 (1.19)	3.20 (1.20)

Table 8: Logistic Regression: Effect of Different Explanatory Variables on Enterprise Performance

	Annual growth in savings		Annual growth in employees		Annual growth in profit		Annual growth in sales	
	B	Exp (B) ⁴	B	Exp (B)	B	Exp (B)	B	Exp (B)
Intercept	-4.22	0.02**	-1.30	0.27	-1.17	0.31	-1.12	0.33
Personal agency belief	0.41	1.51**	0.24	1.27**	0.16	1.17*	0.14	1.15*
Ethnicity	-0.28	0.76	-0.003	1.00	-0.32	0.73	-1.20	0.30*
Gender	1.12	3.05*	-0.32	0.72	-0.92	0.40*	-0.57	0.56
Managerial ability	0.09	1.09*	0.001	1.00	0.004	1.00	0.01	1.01
Borrowed in the last five years	-0.67	0.51	-1.15	0.32**	-0.39	0.68	-0.11	0.89
Membership of CTCS	1.04	2.83*	0.59	1.80	-0.40	0.67	-0.26	0.77
Number of employees	0.29	1.34*	0.22	1.24*	-0.06	0.94	-0.05	0.95
Enterprise age	-0.03	0.97	0.003	1.00	-0.04	0.96	-0.01	0.99
Household size	-0.24	0.79*	0.04	1.04	0.10	1.10	0.14	1.14*
Age of respondent	-0.02	0.98	-0.05	0.95**	0.02	1.02	0.02	1.02
-2 log likelihood	174.615		269.03		271.90		275.92	
Model chi-square	95.82**		68.49**		24.75**		24.87**	
Nagelkerke R Squared	0.51		0.32		0.15		0.14	

** Significant at the 0.01 level (2-tailed), * Significant at the 0.05 level (2-tailed)

⁴Exp (B) represents the ratio-change in the odds of the event of interest for a one unit change in the predictor.

Figure 1: Percentage change in sales of Microenterprises (2001-2005)

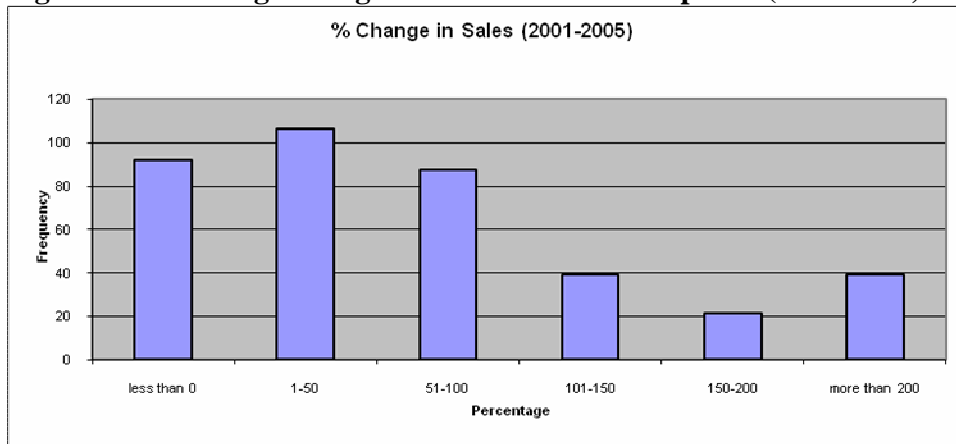


Figure 2: Percentage Change in sales for different finance category

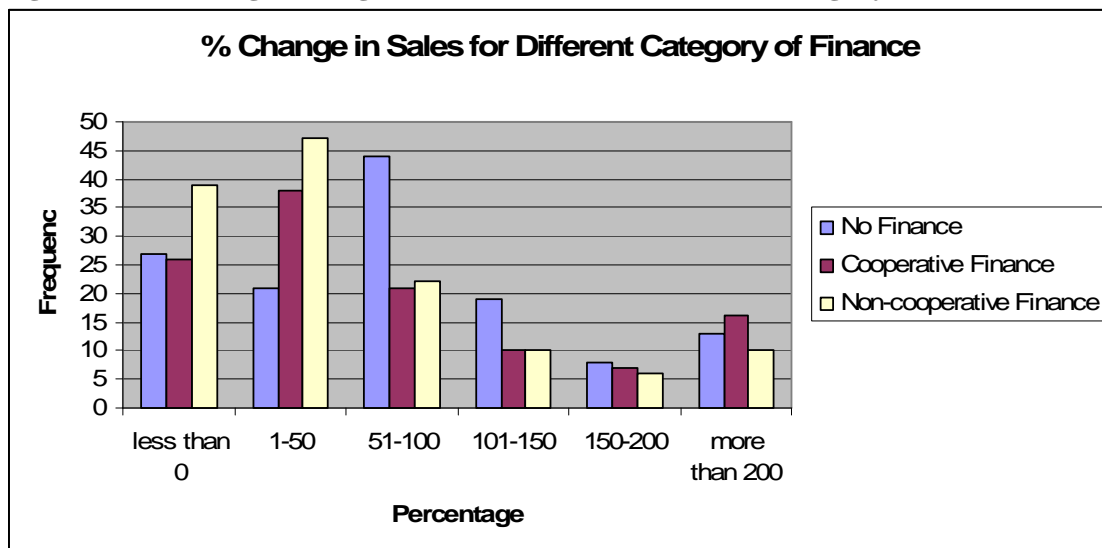


Figure 3: Percentage in profit (2001-2005)

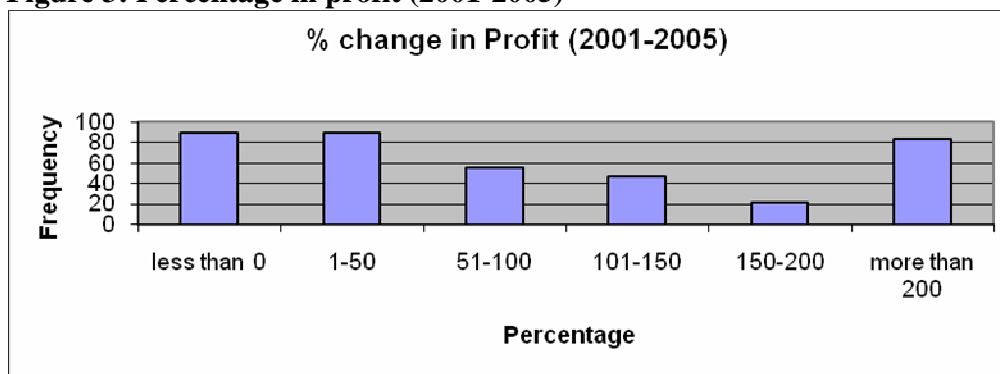


Figure 4: Percentage Change in sales for different finance category

