

## Effect of Political Environment on Entrepreneurship Development: A Small Business Perspective in Abuja, FCT

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### Abstract

The study examines the effect of political environment on entrepreneurship development using small businesses in Abuja, FCT. Over the years, government of Nigeria used bureaucracy in administering their activities and fighting corruption in order to ensure that the activities of small business in Nigeria improve. Yet, despite government involvement in monitoring and checkmating political environment for the development of entrepreneurs, the small business owners are not innovating and developing. The study employed survey research design and questionnaire were administered to owners of small business in Abuja. The population of this study is the owners of small business in Nigeria which is 2670 and the sample size was reduced using Taro Yamane formula to 348. The study used descriptive statistics, charts, correlation analysis and regression with a statistical package for social sciences (SPSS, 23.00). The study found that political environment such as bureaucracy, corruption and employment law is significant to entrepreneurship development in Abuja. The study recommended that government of Nigeria should reduce the bureaucratic bottleneck, ensure corruption free economy where not only those in opposition party should be fought against. They should re-design strategy to address the unfavourable political environment since it negatively effect on entrepreneurs in Abuja.

### Keywords:

Political environment, Entrepreneurship development, Innovation, Bureaucracy corruption

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## Background to the Study

Political business environment in recent time has been volatile and highly unstable leading to entrepreneurship failure (business failure) and small scale businesses are bedeviled with substandard product, low research and development, innovation, and inability to meet with the rate of technological change and competition from foreign goods, raw material, packaging and patent technique. Entrepreneurs are sufficiently environmental dependent and environmental serving just like the large ones because they do not exist in a vacuum, because they depend on their environment for plethora of issues ranging from input resources such as information, ideas, raw materials, finance and labor among others, to the consumption of finished goods or services by the environment. Besides, their activities are also influenced and shaped by such political environmental forces as bureaucracy in administering their activities, fighting corruption and making employment law.

Over the years, government of Nigeria used bureaucracy in administering their activities and fighting corruption in order to ensure that the activities of small business in Nigeria improve. Yet, despite government involvement in monitoring and checkmating political environment for the development of entrepreneurs, the small business owners are not innovating and developing. Previous studies such as Aazir and Qazi (2012) analyzed the impact of Political, Economic, Social and Technological macro environmental forces on Pizza fast food industry in Rawalpindi Islamabad; Sam (2014) examines various government policies and programs towards the development of entrepreneurship in Nigeria and Fatai, Oluwole, Omotayo, Oladele and Olaleke (2018) examined the impact of bureaucratic processes on the performance of small and medium enterprises in Nigeria. However, none of this study used small businesses in Abuja FCT to examine the variables. Therefore, the study filled the research gap by examining the effect of political environment on entrepreneurship development in Abuja.

The objective of this study is to examine the effect of political environment on entrepreneurship development in Abuja using small businesses. The specific objectives are to: examine the effect of bureaucracy on entrepreneurship development among small businesses in Abuja and evaluate the effect of corruption on entrepreneurship development among small businesses in Abuja.

The study is restricted to political environment and entrepreneurship development in Abuja using small businesses. The period of study is 17 years (from 1999 to 2016). The reason for this period that is long enough to assess examine the effect of political environment on entrepreneurship development in Abuja using small businesses. The study is limited to Abuja Area Council and is not considering other states of Nigeria. The study is limited to corruption, bureaucracy and innovation as indicators of the variables.

Hypotheses of the study are stated below

- H<sub>01</sub>:** Bureaucracy does not have significant effect on innovation among small businesses in Abuja
- H<sub>02</sub>:** Corruption does not have significant effect on innovation among small businesses in Abuja

### **Concept of Political Environment**

The political environment is said to be legal framework where the firm operates and this is done through government laws and regulations that guides the operations of the business in question (Pearce & Robinson, 2013). The political stability of the environment is necessity for effective and efficient performance of business. The management of the organization must take cognizance of these constraints, actual and potential, and seek out the implications for the business organization from legal advisers (Ogundele, 2005). Regard how and to what degree a government intervenes in the economy. Specifically, political factors include areas such as tax policy, labor law, environmental law, trade restrictions, tariffs, and political stability. Political factors may also include goods and services which the government wants to provide or be provided (merit goods) and those that the government does not want to be provided (demerit or bad). Furthermore, governments have great influence on the health, education, and infrastructure of a nation.

This study conceptualize political environment to means government bureaucratic structure and corruption inflows as a result of politics and laws. Bureaucracy is both a body of non-elective government officials and an administrative policy-making group. A bureaucracy was a government administration managed by departments staffed with non-elected officials. Bureaucracy is the set of regulations drawn by governments to control activity, usually in large organizations and governments. It is represented by a standardized procedure that dictates the execution of all processes within an institution, division of power, hierarchy and relationships. In every-day practice the interpretation and execution of policy leads to informal influence (Țierean & Brătucu, 2009). Bureaucracy is the administrative structure and set of regulations in place to control (rationalize, render effective and professionalize) activities, usually in large organizations and government (Marshall,1959). This study also conceptualize bureaucracy as a design structure that provides regulations and guide against impersonality relationship in conducting business or governmental activities.

Ogundele and Opeifa (2004), describe corruption as consisting of several elements including deceit, trickery, cheating, intentional deception, dishonesty and the conscious premeditated action of a person or group of persons to alter the facts of a matter or transaction for the purpose of selfish personal gains. Corruption is perceived as detrimental to investment as it acts like a tax on investment by increasing the cost of doing business (Wei, 2000; Svensson & Fisman,2000). Some scholars refer to corruption as “sand” that makes it more difficult and costly to conduct foreign operations in such aspects as obtaining licenses and permits (Habib & Zurawicki, 2002; Voyer & Beamish, 2004; Cuervo-Cazurra, 2008). In the international business (IB) discipline, the study of corruption only recently gained prominence as firms from developed countries engaged in operations in emerging and transition economies (Rodriguez, Siegel, Hillman & Eden, 2006). Corruption varies widely across different locations both in its scope in an economy, and in the level of uncertainty it creates (Uhlenbruck, Rodriguez, Doh & Eden, 2006).

The study conceptualized corruption to mean public officers and private individuals dishonesty, cheating and deceit in conducting their daily and official activities.

### **Concept of Entrepreneurship Development**

Entrepreneurial development has been defined in various dimensions (Ameashi, 2006). However, common threads run through each definition: the ability to identify business opportunities, the ability to be able to harness the necessary resources to use opportunities identified, the ability and willingness to initiate and sustain appropriate actions towards the actualization of business objectives (Sam, 2014). Entrepreneurship Development refers to the process of enhancing entrepreneurial skills and knowledge through structured training and institution-building programs (Sam, 2014).

Jegade (2001) define entrepreneurship as a force that mobilizes other resources to the unmet market demand. Griffin and Hammis (2001) defined the terms entrepreneurship as starting a new business based on a recognized business opportunity as well as operating and maintaining that business. Sorensen and Nanda (2010), entrepreneurship is the process of designing, introduction and running a new business which typically begins as a small business. Black, Burton, Wood, and Zimbelman (2010) sees entrepreneurship as the combination of ability and willingness to organize, develop and manage a business venture bearing alone its involving risks for the main purpose of making a profit.

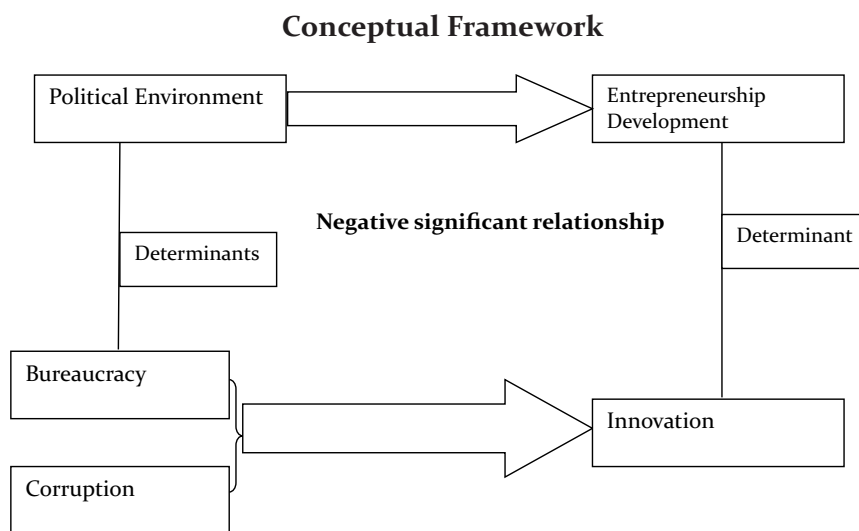
The study also conceptualized entrepreneurship development to mean business innovation in designing a unique product and packaging which may be achieved through new development of product. It is a process of bring a product or ideas from zero to reality. According to Zwingina and Opusunju (2017) innovation is the process of novelty which implies that new things is done, or old things is done in new ways to increase performance in terms of sales, profitability and market shares in an organization. To them, it is an application of technological, institutional, human resources and discoveries to productive processes, resulting in new practices, products, markets, institutions' and firms that need expansion. Innovation is the scientific, technological, organizational, financial and commercial activities that are implemented through new or improved products or services (OECD/Eurostat, 1997). According to Roger (2002) innovation is a new idea or a substantially idea that enhanced good or service that has been commercialized or any considerably new enhanced process for the commercial creation of goods and services. Damanpour and Goplakrishnan (2001) assert that innovation is approval idea related to a product, service, system, device, policy or programme that is new and can be adopt by the firm or other firms. Innovation is conceptualized in this study as act or activities of design a product to meet societal demands, changing organizational ways of conducting business and re-strategizing new processes of design a product.

### **Concept of small Scale Business**

Small business definitions differ within the fixed co-ordination of national boundaries. For instance, Alaye-Ogan, (2012) defined a small business as companies with capital base between twenty thousand naira and thirty million naira (equivalent of \$125 to \$193,500).

According to Hatten (2012), a company is considered small if it is independently owned, operated, and financed; has fewer than 100 employees; and has relatively little impact on its industry. Also, For Hatten (2012), small business, nevertheless, include business activities of the stay-at-home parent who provides day care for children whose parents are not around, factory workers who engage in after hours' deliveries, to owners of fast food restaurants. A small business is one that has relatively small market share; its owners in personalized manner manage the business enterprise not necessarily through a formalized management structure as can be found in large corporations. Most existing small scale business in Nigeria are more often than not operate as unregistered entity, thereby limiting their potential to secure bank loan which can provide a financial umbrella towards improved performance, as such the owners/managers are free and assumed of not been influenced by outside control in taking their principal decisions (El-Gohary,2009).

The definition of Small Scale Business in Nigeria is based on three major criteria via operating cost, turnover and employees capacity. Accordingly, a small scale enterprise is such whose total operating cost excluding cost of land but including working capital is above N1 million but not exceeding N10 million (Central Bank of Nigeria, 1995). A small-scale business is such with total asset excluding land but including working capital less than N1 million but not exceeding N10 million with a labor size of not exceeding 15 workers (National Council of Industry, 1996).



**Fig. 1: Opusunju, Zwingina and Murat model of Political Environment and Entrepreneurship Development**

The above model explained how political environment significantly affect entrepreneurship development. The model believes that bureaucratic structure or bottleneck in government which implies government regulations, rules, procedures and laws affect entrepreneurship development in terms of innovation. The model also ascertained that corruption has negative significant effect on entrepreneurship development in terms of innovation.

### **Empirical Studies**

Aazir and Qazi (2012) analyzed the impact of Political, Economic, Social and Technological macro environmental forces on Pizza fast food industry in Rawalpindi /Islamabad and suggestions for improvement in their performance. This research work is based on co-relational (survey) research design and instrument used for research is interview. PEST analysis was selected to analyze PEST forces in fast food industry. They provide empirical data to identify those factors that play key role in improvement of performance. In this study we found that the four factors P, E, S, and T are the key factors that can determine the performance of the fast food industry. Our result showed that the P is somewhat insignificant but other all three factors are the key factors which show the significant results.

The study did not indicate the number of person interviewed. The researcher only used the interview to assume the outcome of the result, the author did not convert the interview result to statistical test to have a unique and up to date findings. However, the population and sample size was not known and how did the researcher conduct the interview was not indicated.

Sam (2014) examines various government policies and programs towards the development of entrepreneurship in Nigeria. A random sample of 1,159 beneficiaries of EDP-NDE programs were selected and structured questionnaires were used to obtain information from theselected EDP-NDE beneficiaries. The result shows that government credit policies and programs have no significant effect on the development of entrepreneurial beneficiaries of the EDP-NDE program.

examine and establish the effects of the external business environment on SMEs so as to contribute to existing studies, as well as to disseminate findings to enhance the regulatory environment of Lagos State, management practices, industry, government and the society. The study employed survey design. The study population comprised SMEs registered with Small and Medium Enterprise Development Agency of Nigeria in Lagos State with the total of 4,535. The Taro Yamane formula was used to obtain a sample size of 478. The owners/managers of these SMEs were selected through a multi-stage sampling technique which involves the stratified, proportionate, and simple random sampling method. The instrument validity was established through scrutiny and evaluation by the research supervisor and experts in the study area, and reliability was determined via Cronbach's alpha coefficient computed from pilot study responses. By the use of instrument codes, responses were processed into quantitative data for descriptive and empirical analyses. Result revealed that infrastructural facilities have a significant and positive effect on SME's service quality ( $R^2 = 0.872$ ;  $p = 0.000 < 0.05$ ). The government taxation policy have a significant and positive effect on sales revenue ( $R^2 = 0.896$ ;  $p = 0.000 < 0.05$ ). On the government/institutional support variable, result shows that it have a positive but no significant influence on job creation ( $R^2 = 0.094$ ;  $p = 0.879 > 0.05$ ). The analysis of insecurity and market growth shows a negative and significant effect of insecurity on SMEs market growth potentials ( $R^2 = 0.011$ ;  $p = 0.036 < 0.05$ ).



Fatai, Oluwole, Omotayo, Oladele and Olaleke (2018) examined the impact of bureaucratic processes on the performance of small and medium enterprises in Nigeria. A survey was carried out by administering the questionnaire to 400 business owners selected from three reputable associations, namely: NASME, NASSI and ASBON (Nigerian Association of Small and Medium Enterprises, National Association of Small Scale Industrialists and Association of Small Business Owners of Nigeria) in three geo-political zones. Data were analysed using Predictive Analytics Software. Correlation and Regression were employed as inferential statistical tool of analysis. Data set revealed the existence of relationship and the extent to which bureaucratic processes impact the performance of entrepreneurial ventures.

### **The Systems Theory**

The Systems Theory Nwachukwu (2006) defined a system as “a set of interrelated and interdependent parts arranged in a manner that produces a united whole” while Kuhn (1974) considers a system as “any pattern whose elements are related in sufficiently regular way to justify attention. Laszlo and Krippner (1997) viewed a system as a boundary maintaining entity with complex interacting components that sustain relationships. With the social Sciences these boundaries do not only become weak but keep changing as behaviors change. The systems theory holds that an organization is a system that needs to work harmoniously not only within itself but that it is a system within a collection of other systems and, therefore, needs to work also in congruence with the other systems around it. What happens in the larger system is capable of affecting the organization either positively or negatively. Boulding (1956), the economist torched on the systems theory but termed it 'The General Empirical Theory' slightly different from Bertalanffy's (1968) 'General Systems Theory.

The system theory, therefore, has its origin in Biology with the work of Bertalanffy. The theory started with two major assumptions that were later adjusted to the contrary. These are, one that a system could be broken into its component parts and each part analyzed separately, two that the different sections of a system can be added linearly to get an understanding of the total system. These assumptions were later adjusted to the effect that a system is not a summation of its component parts which is linear, but a non-linear aggregation of the interactions of these component parts.

All researchers concur on the usefulness of the Systems Theory. The theory is not only interdisciplinary but integrative in nature. As Laszlo and Krippner (1997) put it “Systems theory promises to offer a powerful conceptual approach for grasping the interrelation of human beings and the associated cognitive structures and processes specific to them in both society and nature”. It is “concerned with the holistic and integrative exploration of phenomena and events”. The term conveys “a complex of interacting components together with the relationships among them that permit the identification of a boundary-maintaining entity or process.

## Methodology

The study used survey design. The population of this study comprise employers of Small Business in Federal capital Territory (FCT) Nigeria, which according to the last survey of Small and Medium Development Agency of Nigeria(SMEDAN) (2013) the population employers is 2690 who are the owners of Small Scale enterprise in Abuja cutting across the six areas councils of Kwali, Municipal, Abaji, Gwagwalada, Bwari and Kuje Area council. The sample size was reduced using the computation below: According to (Yamane, 1967), the sample size of this study is derive using Taro Yamane formula to estimate it.

$$n=N/1+N(e)^2$$

Where:

N is the population size

E is the margin error (assume 5%)

1= constant=

e =0.05

## Owners

$$n=2690/1+2690(0.05)^2$$

$$n=2690/1+2690(0.0025)$$

$$n=2690/1+6.725$$

$$n=2690/7.725$$

$$n=348$$

However, the sample size of 348 is considered in this study and the 348 copies of questionnaire are administered to the respondents in the study. Simple random sampling technique was used in selecting managers of the small business the study used structured questionnaire to elicit responses of the respondents. Data was collected within the six local government area council of Abuja and the sample size will be randomly distributed through the use of questionnaire. It is a 5 point Likert's type scale questionnaire that is designed to collect information from the respondents regarding impact of business environment on the performance of small business enterprise in FCT, Abuja. The questionnaire was administered to the owners of small business firms in FCT, Abuja randomly. Respondents filled and returned the completed questionnaire. Some staff of the small business firms in FCT, Abuja was consulted to help in administering the copies of questionnaire to the various owners in their respective firms. Completed questionnaire is collected. Also, with the questionnaire coming from the staff, respondents are assured on the confidentiality of their responses. This implies that copies of questionnaire were administered randomly to Saloon owners, block making owners, poultry owners, fast food Restaurant owners and recharge card sellers owners in six Area Council in Abuja such as Kwali, Municipal, Abaji , Gwagwalada, Bwari and Kuje Area council. The researcher distributed the copies of questionnaire to the respondents based on his owner personal sharing formula such that Saloon 90 copies, block making 70 copies, poultry 83 copies, fast food restaurant 65 copies and recharge card sellers 75 copies. Also, 10% of administered questionnaire was shared to the six Area council in Abuja. However, 58 copies of questionnaire was administer to each Area Council in Abuja. However, all the copies of administered were returned successful.



The study tested for reliability of the instruments and following results were obtained

**Table 1: Scale Reliability of Variables**

| Items       | Cronbach's Alpha |
|-------------|------------------|
| Bureaucracy | 0.75             |
| Corruption  | 0.75             |
| Innovation  | 0.75             |

**Source:** researcher's computation (2018)

The above table 1 shows the test for reliability for cronbach's Alpha which implies that Alpha value are greater than 0.6 which is reliable. Descriptive statistics of simple percentages was used to described the data presented and Ordinary Least Square (OLS) linear regression technique was used to test the hypotheses. Therefore statistical model of regression was stated below:

$$IN = \alpha + \beta_1 BCR + \beta_2 CR + \mu \dots\dots\dots (1)$$

Where:

- IN= Innovation
- BCR= Bureaucracy
- CR=Corruption
- $\alpha$  = Intercept,
- $\beta$  = Coefficient
- $\mu$  = error term

**Correlation model**

$$r = \frac{n\sum xy - \sum x \sum y}{\sqrt{\{(n\sum x^2) - (\sum x)^2 (n\sum y^2) - (\sum y)^2\}}} \dots\dots\dots \text{equation}$$

Where:

- r = Correlation Coefficient
- x = proxies for independent variable
- y = proxies for dependent Variable
- n = number of observations

**Data Analysis**

**Table 2: Distribution of respondents by years in Small Scale Business in Abuja FCT**

| Responses          | Frequency | Percent (%) |
|--------------------|-----------|-------------|
| 2-3 years          | 76        | 21.83       |
| 3-5 years          | 102       | 29.31       |
| 6 - 10 years       | 78        | 22.41       |
| 10 years and Above | 92        | 26.43       |
| Total              | 348       | 100         |

**Source:** Field Survey, (2018)

Table 2 reveals that 21.83% of the respondents agreed that they have owned small scale business in Abuja FCT for the past 2-3 years, 29.31% of the respondents agreed that they have owned small scale business in Abuja FCT for the past 3-5 years, 22.41% of the respondents agreed that they have owned small scale business in Abuja FCT for the past 6-10 years and 26.43% of the respondents agreed that owned small scale business in Abuja FCT for the past 10 years and above.

**Table 3: Distribution of Respondents SMEs Annual Turnover in Abuja FCT**

| Responses           | Frequency | Percent (%) |
|---------------------|-----------|-------------|
| N 50,000 – N 100000 | 87        | 25.00       |
| N200000-N500000     | 65        | 18.67       |
| 600000-1million     | 123       | 35.34       |
| 2million and above  | 73        | 20.97       |
| Total               | 348       | 100         |

**Source:** Field Survey, (2018)

Table 3 shows that 25.00% of the respondents agreed that their annual turnover is from N50,000 to N100,000, 18.67% of the respondents agreed that their annual turnover is from N200,000 to N500,000, 35.34% of the respondents agreed that their annual turnover is from N600,000 to N1million and 20.97% of the respondents agreed their annual turnover is from N2million and above.

**Table 4: Distribution of respondents by Educational Qualification in Small Scale Business owners in Abuja FCT**

| Respondent             | Frequency | Percent (%) |
|------------------------|-----------|-------------|
| Below secondary school | 70        | 20          |
| Secondary school       | 122       | 35          |
| NCE, OND               | 84        | 24          |
| B.SC                   | 72        | 21          |
| Total                  | 348       | 100         |

**Source:** Field Survey, (2018)

Table 4 reveals that 20% of the respondents that owned small scale business in Abuja FCT have qualification below secondary school, 35% have secondary educational qualification, 24% are NCE and OND while 21% have B.sc. this implies that majority of the small business owners are the secondary school levers or basic school certificate.

**Table 5: Corruption**

| <b>Corruption</b>                                       | 5          | 4          | 3        | 2         | 1         |
|---|------------|------------|----------|-----------|-----------|
| There is dishonesty among political officers in Nigeria | 119(34.19) | 106(30.46) | 23(6.61) | 43(12.36) | 57(16.38) |
| There is frequent cheating and stealing in Nigeria      | 100(28.74) | 121(34.77) | 10(2.87) | 56(16.09) | 61(17.53) |
| There is deceit among workers in Nigeria                | 113(32.47) | 112(32.18) | 3(0.86)  | 44(12.64) | 76(21.83) |

**Source:** survey, 2018

The above table indicates the respondent percentage on each question relating to corruption. It shows that majority of the respondents agreed and strongly agreed on various questions. The percentage is in bracket while the number of respondents is outside the bracket.

**Table 6: Bureaucracy**

| <b>Bureaucracy</b>   | 5          | 4          | 3         | 2         | 1         |
|--|------------|------------|-----------|-----------|-----------|
| The structure adopted by the government is rigid for small business to grow                    | 91(26.15)  | 119(43.19) | 33(9.48)  | 65(18.68) | 40(11.49) |
| The government regulations and rules are problematic to small business in Abuja                | 98(28.16)  | 114(40.22) | 43(12.35) | 32(9.19)  | 61(17.53) |
| Some Small business obtained favour based on personality relationship with government officers | 110(31.61) | 117(33.62) | 11(3.16)  | 41(11.78) | 69(19.83) |

**Source:** survey, 2018

The above table indicates the respondent percentage on each question relating to bureaucracy. It shows that majority of the respondents agreed and strongly agreed on various questions. The percentage is in bracket while the number of respondents is outside the bracket.

**Table 7: Innovation**

| Innovation  | 5        | 4         | 3          | 2          | 1         |
|---|----------|-----------|------------|------------|-----------|
| Small business in Abuja frequently design and package new product                     | 33(9.48) | 40(11.49) | 119(43.19) | 65(18.68)  | 91(26.15) |
| The small business in Abuja frequently change organizational structure and policy     | 32(9.19) | 61(17.53) | 114(40.22) | 98(28.16)  | 43(12.35) |
| Small business in Abuja use different process in conducting their business activities | 23(6.61) | 43(12.36) | 119(34.19) | 106(30.46) | 57(16.38) |

Source: survey, 2018

The above table indicates the respondent percentage on each question relating to innovation. It shows that majority of the respondents agreed and strongly agreed on various questions. The percentage is in bracket while the number of respondents is outside the bracket.

**Table 8: Descriptive statistics**

|              | IN        | BCR       | CR       |
|--------------|-----------|-----------|----------|
| Mean         | 3.157292  | 2.442708  | 2.695313 |
| Median       | 3.000000  | 3.000000  | 3.000000 |
| Maximum      | 5.000000  | 5.000000  | 5.000000 |
| Minimum      | 1.000000  | 1.000000  | 1.000000 |
| Std. Dev.    | 1.118122  | 1.131830  | 1.011359 |
| Skewness     | -0.056188 | -0.055883 | 0.240333 |
| Kurtosis     | 2.187346  | 1.916465  | 2.361824 |
| Jarque-Bera  | 10.77290  | 16.63593  | 10.05058 |
| Probability  | 0.004578  | 0.000244  | 0.006570 |
| Sum          | 1174.000  | 1110.000  | 1015.000 |
| Sum Sq. Dev. | 478.7396  | 588.7396  | 423.3516 |
| Observations | 348       | 348       | 348      |

The descriptive statistics shows that the average scores for IN , BCR and CR are 3.15, 2.44 and 2.69 respectively and the Jarque-Bera probabilities in the respective variables shows that the data are not normally distributed since the probability is less than 5%. However, the data set were screen and the probabilities were greater than 5% which implies that data set used are normally distributed.

**Table 8: Correlation Matrix**

|     | <i>IN</i> | <i>BCR</i> | <i>CR</i> |
|-----|-----------|------------|-----------|
| IN  | 1         |            |           |
| BCR | 0.515935  | 1          |           |
| CR  | 0.769771  | 0.526463   | 1         |

**Econometric view, 9.00, 2018**

Table 8 indicates that there is a positive association between the dependent variable and independent variables in the study. This implies that there is a positive association between innovation and bureaucracy. Also, there is a positive association between innovation and corruption in Abuja.

**Table 9: Ordinary Regression Result**

Dependent Variable: IN

Method: Least Squares

Date: 26/08/18 Time: 23:29

Sample: 1 348

Included observations: 348

| Variable           | Coefficient | Std. Error            | t-Statistic | Prob.    |
|--------------------|-------------|-----------------------|-------------|----------|
| C                  | -0.540825   | 0.090096              | -6.002767   | 0.0000   |
| BCR                | -0.104198   | 0.088693              | -1.174817   | 0.0409   |
| CR                 | -0.756650   | 0.057074              | -13.25739   | 0.0000   |
| R-squared          | 0.813032    | Mean dependent var    |             | 3.143678 |
| Adjusted R-squared | 0.701502    | S.D. dependent var    |             | 1.507728 |
| S.E. of regression | 0.448528    | Akaike info criterion |             | 1.254217 |
| Sum squared resid  | 68.60138    | Schwarz criterion     |             | 1.331704 |
| Log likelihood     | -211.2338   | Hannan-Quinn criter.  |             | 1.285066 |
| F-statistic        | 596.6673    | Durbin-Watson stat    |             | 1.127229 |
| Prob(F-statistic)  | 0.000000    |                       |             |          |

**Source:** Data output using E-view, 2018

5% level of significance

Table 8 indicates the coefficient for bureaucracy is negative and significant in enhancing innovation of small scale business in Abuja FCT and corruption is negative and significant in enhancing innovation of small scale business in Abuja FCT. The p-value and t-statistic values of the independent variables are significant at probability value of 0.000 for two variables. However, the f-statistic value of 596.6673 is significant at p statistic value of 0.00, it indicates that the model is a good fit The  $R^2 = 0.81$  indicates that only 81% of political environment (bureaucracy and corruption) embarked upon by entrepreneur in Abuja can be explain by entrepreneurship development but 19% can explained by other factors not noted in the regression model which is refer to as error term. Therefore we accept the

alternative hypothesis that there is a significant relationship between political environment (bureaucracy and corruption) and entrepreneurship development.

### **Discussion of Findings**

From the analysis there is a positive association between the dependent variable and independent variables in the study and also there is a positive association between innovation and bureaucracy and also between innovation and corruption in Abuja. The study also found that there is significant relationship between political environment (bureaucracy and corruption) and entrepreneurship development. The finding is in tandem with the findings of Mark and Nwaiwu (2015) who found negative but significant relationship between the variables but also disagreed with the findings of Aazir and Qazi (2012) who found that there is insignificant relationship between the variables. The study is in-lined with system theory.

### **Conclusions and Recommendations**

The study concluded that bureaucracy is negative and significant in enhancing innovation of small scale business in Abuja FCT and corruption is negative and significant in enhancing innovation of small scale business in Abuja FCT. The study also concluded that there is significant relationship between political environment (bureaucracy and corruption) and entrepreneurship development. The study recommended that government of Nigeria should reduce the bureaucratic bottleneck, ensure corruption free economy where not only those in opposition party should be fought against. They should re-design strategy to address the unfavourable political environment since it negatively effect on entrepreneurs in Abuja.

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