

The Effect of Rising Inflation on Entrepreneurial Business Development Among Youth in Abia State, Nigeria

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Abstract

The paper examines, the effect of rising inflation on entrepreneurial business development among youth, globally the business environment has seen a steady increase in the prevalence of entrepreneurship. It may benefit national economies and is frequently considered one of the most important engines of economic growth and the creation of employment opportunities. It is, therefore, essential for the government and policymakers to understand the potential reasons for the diversity in the development of new businesses to assist them in adopting policies that are acceptable to support the creation and development of new businesses. Recent years have impacted entrepreneurship development due to Nigeria's unstable economic reality, characterized by financial crises. Thus, this paper investigated the effect of inflation on entrepreneurial development among youths in Abia state, Nigeria. A convenience sample of three hundred and twenty-two undergraduates pooled from three tertiary institutions in the state participated in the study. The study result indicates that the assumption that the inflation would significantly and positively predict entrepreneurial development in Abia state was confirmed at $p = .169$, $p < .05$. Thus, the R^2 indicated that the increasing inflation in the country contributes about 23.8% variation in entrepreneurial development in Abia state, Nigeria. The study has implications for the development of entrepreneurship in Nigeria.

Keywords: *Development, Entrepreneurial business, Rising inflation, Youths*

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Background to the Study

Both inflation and the degree of uncertainty regarding future inflation play a significant role in determining financial stability and economic growth (Mandeya & Ho, 2021). Inflation is a significant macroeconomic problem that has consistently taken up most people's time and attention at major economic forums. Even though the monetary authority has implemented several different exchange rate measures, inflation in the Nigerian economy has not been able to be controlled in recent times. One of the most critical factors that play a role in the economies of different nations is inflation (Musarat et al., 2021). In general, the term "inflation" refers to a gradual decrease in the purchasing power of a given currency over a given period. Inflation is one of the most important macroeconomic variables that economic actors (including the government) fear the most (Inim et al., 2020). This is because inflation negatively influences the structure of production costs and overall welfare. Inflation is both the cause and the effect of certain actions taken by the government, which is a fact that can be found to be quite fascinating (Okoye et al., 2019).

Nearly every Nigerian has found the recent trend of rising inflation in their country and the widespread poverty that has resulted from it highly upsetting. As a result, inflation is possibly one of the fundamental accelerators of poverty and unemployment due to its effect on a person's ability „ to purchase goods and services. The headline inflation rate in Nigeria increased from 11.98 percent in December 2019 to 15.75 percent at the end of 2020, as indicated by the data provided by the National Bureau of Statistics (NBS). Despite this, it shot 18.12 percent in April 2021 before leveling off at 17.93 percent in May. Perhaps these numbers represent official statistics that can be relied upon. On the other hand, there is a growing concern that these figures significantly understated the inflation situation in the country. Numerous studies have investigated the impact of inflation on economic activities in developing nations and nations that are already developed. However, there have not been many studies on how this affects the growth of entrepreneurialism, particularly in Nigeria. This study looks at the relationship between inflation and the growth of new businesses. Entrepreneurship plays a crucial role in economic growth, employment generation, and innovation, particularly among youth. In many developing and emerging economies, youth entrepreneurship is promoted as a solution to unemployment and poverty. However, rising inflation has increased the cost of living and the cost of doing business, creating challenges for entrepreneurs.

Inflation leads to higher prices for raw materials, rent, utilities, transportation, and labor. For youth entrepreneurs who often operate small and medium-sized enterprises (SMEs) with limited capital, these rising costs reduce profitability and hinder business expansion. Additionally, inflation is often accompanied by higher interest rates, making access to finance more difficult for young business owners. This study seeks to examine the Effects of Rising Inflation on Entrepreneurial Business Development Among Youth in Abia State, Nigeria.

Statement of the Problem

Despite increasing government and private sector efforts to promote youth entrepreneurship, many youth-owned businesses struggle to survive, especially during periods of rising

inflation. Increased operating costs, reduced consumer purchasing power, and limited access to affordable credit have negatively affected business growth and sustainability. Many young entrepreneurs are forced to downsize or shut down their businesses. There is a need for empirical research to understand the specific effects of inflation on youth entrepreneurship and identify strategies to mitigate these challenges.

Objectives of the Study

The main objective of this study is to examine the effect of rising inflation on entrepreneurial business development among youth.

The specific objective of the study include;

1. To identify the factors influencing rising inflation in entrepreneurial business development among youth?
2. To assess the effect of rising inflation in entrepreneurial business development among youth?
3. To explore the challenges faced by rising inflation entrepreneurial business development among youth?
4. To develop strategies to be implemented to decrease rising inflation in entrepreneurial business development among youth

Significance of the Study

This study will benefit:

1. Youth Entrepreneurs by providing insights into effective strategies for managing inflation-related challenges.
2. Policy Makers by offering evidence-based recommendations to improve youth entrepreneurship policies.
3. Financial Institutions by highlighting the financing needs of youth entrepreneurs during inflation.
4. Researchers and Students as a reference material for future studies on inflation and entrepreneurship.

Concept of Inflation

Inflation refers to a sustained increase in the general price level of goods and services over time, leading to a decline in purchasing power. High inflation creates uncertainty in business planning and investment decisions.

Concept of Entrepreneurship and Youth Entrepreneurship

Entrepreneurship involves identifying opportunities, mobilizing resources, and creating value through business ventures. Youth entrepreneurship refers to entrepreneurial activities undertaken by young people, typically between the ages of 18 and 35.

Theoretical Framework

This study is anchored on the Cost-Push Inflation Theory, which explains how rising production costs reduce business profitability, and the Entrepreneurial Resilience Theory, which emphasizes adaptability and innovation in challenging economic environments.

Empirical Review

Rising inflation increases operational costs, reduces access to affordable credit, and weakens consumer demand, all of which negatively affect small and youth-owned businesses. However, some studies suggest that innovative and technology-driven youth enterprises are better able to withstand inflationary pressures.

Entrepreneurial Business Development among Youth

Entrepreneurial business development among youth is crucial for fostering innovation, creating jobs, and driving economic growth. Here's a comprehensive overview:

Importance of Entrepreneurial Business development among Youth

1. **Economic Growth:** Entrepreneurial Business development among Youth can contribute significantly to a country's GDP and economic development.
2. **Job Creation:** Young entrepreneurs can create employment opportunities for themselves and others.
3. **Innovation:** Youth are often more open to new ideas and technologies, leading to innovative business solutions.

Key Factors Influencing Entrepreneurial Business development among Youth

1. **Entrepreneurship Education:** Formal education and training programs can equip young people with the necessary skills and knowledge to start and run a business.
2. **Entrepreneurial Mindset:** Developing an entrepreneurial mindset, including traits like creativity, risk-taking, and resilience, is essential for success.
3. **Access to Funding:** Young entrepreneurs often face challenges in accessing capital, making it essential to explore alternative funding options.
4. **Mentorship and Support:** Guidance from experienced entrepreneurs and mentors can significantly impact a young entrepreneur's success.

Strategies for Promoting Entrepreneurial Business development among Youth

1. **Integrate Entrepreneurship Education:** Incorporate entrepreneurship education into school curricula to foster entrepreneurial skills and mindset from a young age.
2. **Provide Access to Funding:** Offer alternative funding options, such as microloans, grants, or crowd funding, to support young entrepreneurs.
3. **Mentorship Programs:** Establish mentorship programs that pair young entrepreneurs with experienced business leaders.
4. **Encourage Innovation:** Foster a culture of innovation and creativity among young people, encouraging them to think outside the box and develop new ideas.

Benefits of Entrepreneurial Business development among Youth

1. **Increased Confidence:** Starting a business can boost a young person's confidence and self-esteem.
2. **Developing Skills:** Entrepreneurship education and experience can help young people develop valuable skills, such as problem-solving, leadership, and communication.

3. Job Creation: Young entrepreneurs can create employment opportunities for themselves and others, contributing to economic growth.

Challenges and Opportunities in Entrepreneurial Business development among Youth

1. Overcoming Obstacles: Young entrepreneurs often face challenges, such as limited access to funding, lack of experience, and regulatory hurdles.
2. Leveraging Technology: Technology can provide opportunities for young entrepreneurs to access new markets, develop innovative products, and streamline business operations.

Research Design

The study adopts a descriptive survey research design.

Population of the Study

The population comprises youth entrepreneurs operating registered and unregistered small businesses.

Sample Size and Sampling Technique

A sample of youth entrepreneurs will be selected using random or stratified sampling techniques.

Data Collection Method

Primary data will be collected using structured questionnaires, while secondary data will be obtained from journals, reports, and textbooks.

Method of Data Analysis

Data will be analyzed using descriptive statistics and inferential tools such as regression or chi-square analysis.

The Present Study

It is common knowledge that young people from Abia state, located in southeast Nigeria, have an entrepreneurial spirit. Despite this, mounting evidence suggests that the proportion of them engaging in entrepreneurial activity has decreased in recent years. Even though entrepreneurial motivation refers to a psychological process, it varies depending on the person's perception levels and the reasons for the motivation. This is because not all of the motives may have the same degree of influence on the process. Thus, inflation, which has been in double digits since 2016, was driven higher by the coronavirus epidemic that has also induced a slump in the price of oil, Nigeria's main export, and weakened the naira currency. Given the low-growth and high-inflation backdrop, there is the possibility that entrepreneurial motivations are negatively affected among entrepreneurs. The primary objective of the present study is to investigate the impact of the rising inflation in Nigeria on the entrepreneurial motivations among the youth in Abia state, Nigeria.

Hypothesis: *Inflation predicts entrepreneurial development in Abia state, Nigeria.*

Method

The research was conducted in Abia state, Nigeria, between January and March 2023. A convenience sample of three hundred and twenty-two ($n = 322$) undergraduates comprising males and females enrolled in different academic disciplines were chosen from different faculties in three public tertiary institutions in the states. The students were approached with the help of research assistants and asked to participate in the study. Those who consented and met the inclusion criteria were briefed on the study's purposes. Also, all ethical considerations were observed. After that, the study instruments were given to them to fill on the spot. A cross-sectional research design was adopted in the study.

Measures

The instrument for data collection in the study was a structured questionnaire. The questionnaire items were developed from the literature review and designed to ascertain relevant data relating to entrepreneurial motivation and perception of rising inflation on a four-point scale. The questionnaire was divided into two parts: A and B. Part A contains questions about entrepreneurial motivation, while Part B contains questions about the perceived effects of inflation. The scale's reliability was ascertained following a pilot study using participants outside the study population, and the Cronbach Alpha 0.89 coefficient was obtained, indicating that the instrument was reliable.

Procedure

Three hundred and fifty copies of the questionnaire were administered to the respondents by the researcher with the help of two research assistants, who were trained to administer and retrieve instruments from the respondents with courtesy. The researcher and research assistants visited the tertiary institutions and obtained authorization from the relevant authorities before the commencement of the study. Overall, 322 of the 350 questionnaires distributed were adequately filled and returned. Unfortunately, the remaining 28 copies of the instruments were either not correctly filled or were not returned. Hence, a total of 322 were used for the analysis.

Result

Table 1: Shows a simple linear regression analysis for the predictive effect of rising inflation on entrepreneurial business development

	B	Std. Error	Beta	t	Sig.
(Constant)	1.87	.089		32.34	.000
Inflation	.96	.035	.169	35.071	.000
R^2	23.8				

As presented in the simple linear regression table above, the result indicates that the assumption that the inflation would significantly and positively predict entrepreneurial

development in Abia state was confirmed at ($3 = .169, p < .05$). Thus, the R^2 indicated that the increasing inflation in the country contributes about 23.8% variation in entrepreneurial development in Abia state, Nigeria.

Discussion

The current study examined inflation's predictive role on youths' entrepreneurial development in Abia state, Nigeria. The simple linear regression result found that the increasing inflation in the country significantly predicted the variation in entrepreneurial development among the younger population in the study parameter. Thus, the expectation that rising inflation in the country would substantially predict the variance in entrepreneurial development among the Abia state of Nigeria youth was confirmed. This indicates that individuals who see new business ventures as being hindered by the persistent rise in inflation and its consequent effect on the nation's economy are likelier to have low entrepreneurial motivation than those who see entrepreneurship as a remedy to the growing effects of the rising inflation in the country. This is because individuals who see entrepreneurship as a remedy to the growing effects of the rising inflation in the country are more likely to see entrepreneurship as a remedy to the growing effects of the rising inflation in the country.

Even though the study's findings indicated that an increase in inflation was a factor in determining what motivates people to start their businesses, there have been contradictions in the relationship between inflation and entrepreneurship. In light of this, a plethora of research implies that an increase in inflation allows entrepreneurial endeavors (Sayed et al., 2014; Vidal-Sue & Lopez- Panisello, 2013). On the other hand, prior research (Arin et al., 2015; Salman, 2014) found that rising inflation in any community could depress entrepreneurial enthusiasm since the business landscape is perceived to be riskier. This was the case regardless of whether or not the culture had a history of inflation. There is a possibility that inflation causes a rise in the costs associated with beginning a new business, which acts as a barrier to entrepreneurial activity. Additionally, increasing inflation rates have a detrimental influence on financing and, as a result, diminish the possibility of individuals starting their businesses (Singh & DeNoble, 2003). As a consequence of this, the relationship between inflation and entrepreneurialism can either be excellent or negative.

Conclusion

Entrepreneurial business among youth is a powerful driver of innovation, economic growth, and job creation. By fostering an entrepreneurial mindset, providing access to education and funding, and offering supportive ecosystems, we can empower young entrepreneurs to succeed. This can lead to a range of benefits, including increased confidence, skill development, and contributions to economic growth. As the next generation of business leaders, young entrepreneurs have the potential to shape the future and create a positive impact on society.

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