

# EXPLORING NECESSITY-DRIVEN PUSH FACTORS ON ENTREPRENEURIAL ACTIVITIES IN AUCHI METROPOLIS

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## ABSTRACT

*This study aimed at examining the effect of necessity-driven push factors (unemployment and dissatisfaction) on entrepreneurial activities in Auchi metropolis, Edo State, Nigeria. The study's scope was limited to the Auchi metropolis with a population of 94 entrepreneurs and business owners. The sample size was calculated using Slovin's method and was found to be 76. Business owners operating in the zone were chosen in their respective classes using the convenience sample approach, and they were then administered survey questionnaires designed in 5-point likert scale to fill up. The sampling technique is suitable for the study and minimizes sampling time waste by allowing the researcher to get the necessary primary data from respondents who were readily available, willing, and able to complete the questionnaire survey. The findings revealed that necessity-driven push factors (unemployment and dissatisfaction) significantly affect entrepreneurial activities in Auchi metropolis, Edo State, Nigeria*

**Keywords:** *Necessity-driven, push factors, Unemployment, Dissatisfaction, Entrepreneurs*

## INTRODUCTION

There are two principal explanations why people decide to become entrepreneurs. Some are driven into entrepreneurship by their circumstances, while others are attracted to it by inherent talents, abilities, or the presence of a unique opportunity (Almeida et al., 2024). Recent studies on the determinants of entrepreneurship have shown that positive factors such as market opportunity, independence or autonomy, desire for success, and self-fulfillment strongly influence an individual's decision to engage in entrepreneurial activity (Nyandoro & Nwachukwu, 2023; Salisu et al., 2024; Olanrewaju et al., 2023). Conversely, necessity-driven "push" factors remain a significant driver of entrepreneurship, particularly in developing economies (Mkubukeli, & Cronje, 2018; Adegbite & Boso, 2023; Khan et al., 2024). Individuals' intentions to create new ventures are also shaped by disruptive events such as dissatisfaction with current employment, job insecurity, low social status, discontent, and the need for poverty alleviation (Ojiaku, et al, 2018; Olanrewaju et al., 2023; Salisu et al., 2024).

Recent studies continue to affirm that pull forces, rather than push factors, are more influential motivators for individuals to pursue entrepreneurship. In other words, when it comes to entrepreneurial motivation, factors such as market opportunities, autonomy, and personal fulfillment tend to trigger entrepreneurial action more than necessity-related pressures (Nyandoro & Nwachukwu, 2023; Salisu et al., 2024). However, contemporary research also indicates that situational contexts, personal dispositions, and intervening socio-economic conditions determine which type of factor—pull or push—becomes dominant (Adegbite & Boso, 2023; Khan et al., 2024). Consequently, the prevailing economic environment plays a decisive role: during periods of economic growth, opportunity-driven entrepreneurship is more prevalent, whereas in times of economic crisis, necessity-driven entrepreneurship tends to rise (Khan et al., 2024). Furthermore, recent comparative analyses suggest that developed economies, with their more favorable business environments, tend to nurture opportunity-driven entrepreneurship, while developing economies, facing structural employment challenges, are more likely to produce necessity-driven entrepreneurs (Olanrewaju et al., 2023; Almeida et al., 2024). As a result, individuals in high-income nations are generally more drawn into entrepreneurship by choice, whereas those in lower- and middle-income contexts are often compelled by need.

Emerging economies, on the other hand, are characterized by massive unemployment, job insecurity, a lack of social security, discontent, poverty and so on. These unfavorable conditions compel people to go into entrepreneurship, as self-employment becomes the most convenient way out of unemployment and raising one's standard of living (Ojiaku et al., 2018). The current economic condition in emerging economies like Nigeria, make it more likely that the push factors will dominate, due to widespread unemployment and poverty. People may find the uncertainty of getting a job as 'push' for self-employment and the expected returns from entrepreneurship are more appealing than employment (Dzananovic & Tandir, 2020).

In 2015, the Global Entrepreneurship Monitor (GEM) conducted a survey of young Nigerians and discovered that

82% were potential entrepreneurs: those who believe they have the necessary skills to become entrepreneurs and can recognize business opportunities, regardless of gender. However, just half (40%) of those polled indicate they plan to establish their own business, and only a mere 20% of those polled indicate they are in the process of doing so. Scholars have offered several explanations for the gap between necessity-driven and actualization, we suggest access to finance is a better proxy to fill this gap. There is consensus among scholars that necessity-driven factors pushed people to be self-employed (Mkubukeli & Cronje, 2018; to Lucie & Nelly, 2018; Ojiaku, et al 2018). In addition, GEM posits that there is a strong relationship between necessity and entrepreneurial activities (GEM, 2013; 2015; 2019). However, the reason why everyone in developing countries, like Nigeria, do not go into self-employment, despite high rate of unemployment, poverty and economic deprivation which are billed to be strong triggers, remained unanswered. To answer this question, we believed access to finance moderate between necessity-driven factors and those that eventually go into self employed

To explore this problem, this paper attempts to investigate moderating role of access to finance on necessity-driven push factors and entrepreneurship, using young graduates in Auchi metropolis, Edo State, Nigeria. The study claims that recognizing the effect of necessity-driven push factors (dissatisfaction and unemployment) and the moderating role of access to finance can provide valuable insight into entrepreneurial activities.

#### **THEORETICAL REVIEW AND HYPOTHESIS DEVELOPMENT**

Several models have been presented to describe necessity-based entrepreneurship. While there is consensus among the models of the relationship between necessity-driven push factors and entrepreneurial activities, but none have been able to account for reasons everyone in developing countries do not become self-employed despite being pushed to do so. Furthermore, the failure of most of these models to adequately account for the moderating role of access to finance between necessity-driven factors and entrepreneurial act is a serious flaw.

Building on the Entrepreneurial Events Model (EEM) as a theoretical framework, this study offers disruptive occurrences for predicting entrepreneurship amongst young graduates and the moderating role of access to finance. The Entrepreneurial Events Model (EEM) was developed by Shapero & Sokols (1982) to unravel the motivations of people to act entrepreneurially and why do people prefer one path over the other? The core premise of EEM is that human beings are liable to passivity, until a disruptive event triggers a shift in the idleness, allowing previously undesired actions to emerge (Wang, et al. (2011). Shapero

& Sokols (1982) avers that there are three variables responsible for entrepreneurial activities: perceived attractiveness, perceived feasibility, and propensity to act. They claim that these factors are thought to influence individual to act entrepreneurially. Furthermore, the relationship of this model to this work is that, individuals are billed to act entrepreneurially in response to external stimulus. Why necessity could make entrepreneurship attractive (perceived attractiveness), but such intention is subject to how feasible (access to finance) which Shapero & Sokols (1982) construed as perceived feasibility (Nengomasha, 2018; Mwange, 2018) and propensity to act.

#### **Dissatisfaction**

Timmons et al (2004), posit that entrepreneurs are not only those who capitalize on opportunities, but also those who can turn life's adversities into fortunes. Entrepreneurs are driven by a strong sense of devotion and tenacity. They strive for integrity and see the cup as half full rather than half empty. Negative circumstance is a learning process for them, and they prioritize effectiveness over perfection. They feel that they can have a significant impact on the end outcome of their businesses and lives. Schaltegger & Wagner (2013) posit that entrepreneur see adversity not as a source of difficulties, but as a source of opportunity. They argue that not all startups are entrepreneurial unless they take advantage of possibilities for change. The role of necessity in pursuit of entrepreneurship is highlighted by Shapero & Sokol's (1982) Model of the Entrepreneurial Event, which claims that the act of self-employment is contingent on a shift in an individual's life, i.e., a displacement. This displacement may be detrimental, such as having annoying boss or going through an adversity. Hence, it is not the objective situation that influences an individual's decision to pursue an entrepreneurial career, but rather the individual's interpretation of the situation. Some people may start a business in response to a 'disruptive' incident, while others may take a different path (Ingrid et al, 2010). Giacomini et al (2011) opined those negative conditions which largely define an individual's current state of affairs, serve as trigger for new venture creation. For example, when a person's current pay differs from his ideal pay, he/she is more likely to experience the "thrust effect" and turn to self-employment (Uhlener & Thurik 2007; Thurik & Dejardin 2012). People who are dissatisfied with their current jobs, boss and working environment, may see self-employment as a vehicle to attain their freedom. Thus, dissatisfaction with one's current job and discontent with economic situations have the potential to compel someone to start a new business (Solesvik, 2013). According to Lucie & Nelly (2018), negative circumstances, environments, and situations that are detrimental to an individual's happiness could force him

or her toward self-employment or the development of a new venture. Islam (2012), who conducted a study to determine what motivates or compels Bangladesh entrepreneurs to pursue a career in entrepreneurship, dissatisfaction with current jobs, despondent situations, and poor economic conditions were all important factors that shape entrepreneurial activities. Finally, dissatisfaction as a necessity-driven push factor compels young graduate to move away from his or her discontentment with job, economic situation etc and toward an ideal state of self-employment. Hence, we hypothesize that:

***H1: dissatisfaction has a significant positive impact on entrepreneurial activities.***

### **Unemployment**

In Nigeria, with high rate of employment, pegged at 38% (NBS, 2020) many people see entrepreneurship as a means of escaping the scourge of unemployment rather than exploiting an opportunity. Rather than opportunity-driven, unemployed people are looking for a way to make a living. Mkubukeli & Cronje (2018) in their study of small-scale miners in South Africa conclude that there is correlation between unemployment and entrepreneurial activities. For instance, it was discovered that increased in unemployment facilitate increased in small scale mining activities. People who are unemployed or have a low likelihood of finding job see self-employment as alternative to their employment problems. Ojiaku, et al (2018) in their study of pull and push factors of entrepreneurial intention, pointed out that unemployment and underemployment are basic factors driving young people towards self-employment. Ingrid et al. (2010), opine that new graduates have three choices: unemployment, self-employment, or employment. Though no one will choose to be unemployed, however, the first challenge new graduates are to contend with is unemployment. While many may attempt to find paid jobs, which are not readily available in Nigeria. At the end, self-employment becomes an escape route from unemployment. The high rate of unemployment in Nigeria has been adjudged to be responsible for micro or small-scale businesses (Abor & Quartey, 2013). Unemployment has the tendency to lower the costs and risks of self-employment, compelling people to start their own businesses (Ingrid et al, 2010).

According to studies by Van Aardt et al., 2010; Abor & Quartey, 2013; Ujwary-Gil & Klinecicz, 2015, entrepreneurship is a response to unemployment, with young people choosing self-employment to avoid joblessness. Because young people face an uncertain future due to a lack of employable skills, self-employment has become more appealing. Many people are pushed into entrepreneurship since they lack basic minimum requirements for employment. For example, most companies usually require 'work experience' in addition to educational qualifications from applicant, as a basic

requirement for employment. Young graduates with no work experience, see starting a new business as their best option. Unemployed individuals are compelled to pursue self-employment when they are faced with choosing between joblessness and entrepreneurship. Mkubukeli & Cronje (2018) argue that small scale business owners especially those who operate under difficult terrain and conditions would not willingly risk their lives if they have better options for employment. For example, they cited the case of small-scale miners in South Africa and oil bunkers in Niger Delta, Nigeria, who operate illegally in dangerous conditions underground and in the creek where there are no good health and safety measures. They concluded that these group of small-scale business owners are doing so for the purpose of earning a living and solving their employment problems. These entrepreneurs are driven by a sense of necessity, and they are more common in underdeveloped countries (Amoros & Cristi, 2011). The study by Ojiaku, et al. (2018) found that unemployment impacts new venture creation. In an extensive review by Thurik et al. (2008), Khan and Dubey (2018) and Uike (2019) unemployment has been found to have a significant positive and adverse impact on entrepreneurship. Hence, we hypothesize that:

***H2: Unemployment has a significant positive impact on entrepreneurial activities***

### **METHODOLOGY**

The study used survey research method which makes it possible to gather the essential primary data from the intended respondents at a specific time for analysis and result generating. The goal of this quantitative study is to collect copious volumes of primary data from comparatively large subject samples. The study's participants were owners and operators of small and medium-sized enterprises (SMEs) in Auchi Metropolis. The study's scope was limited to the Auchi metropolis with a population of 94 entrepreneurs and business owners. The sample size was calculated using Slovin's method and was found to be 76. Managers of SMEs operating in the zone were chosen in their respective classes using the convenience sample approach, and they were then administered survey questionnaires to fill up. The sampling technique is suitable for the study and minimizes sampling time waste by allowing the researcher to get the necessary primary data from respondents who were readily available, willing, and able to complete the questionnaire survey. The tool utilized for this study is a well-designed 5-point Likert scale questionnaire.

The researcher used the content validation approach to validate the survey instrument. Entrepreneurship experts who could offer knowledgeable input to ensure the statements matched the objectives of the study were given copies of the questionnaire. An instrument's reliability is

determined by how well it can produce consistent results over time. The reliability of the instrument was evaluated using the test-retest option and the Cronbach Alpha technique. Twenty business owners took part in the pilot study. Using the collected data, the standardized coefficient and alpha were computed.

**Table 1, showing Model Summary of necessity-driven push factors (unemployment and dissatisfaction) and entrepreneurial activities**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.965 <sup>a</sup>	.931	.929	.35917

a. Predictors: (Constant), UNE, DIS

**Table 2, showing ANOVA of necessity-driven push factors (unemployment and dissatisfaction) and entrepreneurial activities**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	127.569	2	63.785	494.431	.000 <sup>b</sup>
	Residual	9.417	73	.129		
	Total	136.987	75			

a. Dependent Variable: ENT

b. Predictors: (Constant), UNE, DIS

**Table 3, showing Coefficients of necessity-driven push factors (unemployment and dissatisfaction) and entrepreneurial activities**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.437	.159		-2.752	.007
	DIS	.885	.067	.838	13.216	.000
	UNE	.170	.076	.143	2.251	.027

a. Dependent Variable: ENT

Tables 1, 2, and 3 displayed the results of the multiple regression analysis carried out on necessity-driven push factors (unemployment and dissatisfaction) and entrepreneurial activities. The model summary depicted in table 2 shows a strong necessity-driven push factors (unemployment and dissatisfaction) and entrepreneurial activities, with a value of 96.5 percent. The R<sup>2</sup> value of 0.931 signifies 93.1 percent of the variance in entrepreneurial activities can be anticipated based on necessity-driven push factors (unemployment and dissatisfaction). The statistical results in Table 3, reveals by the F-test (494.431, P< .05), demonstrates that, the independent variable effectively predicts changes in the dependent variable. This confirms that, necessity-driven push factors (unemployment and dissatisfaction) significantly affect entrepreneurial activities. Table 4 shows that, all the dimensions tested (unemployment and dissatisfaction) exhibit significant predictive power for entrepreneurial activities {unemployment (B = .838; p-

value = .000 < .05) and dissatisfaction (B= .143, p-value = .027< .05). Hence, the regression results are summarized thus: unemployment has a significant positive effect on entrepreneurial activities and dissatisfaction has effect on entrepreneurial activities

## DISCUSSION

The description of the findings is consistent with the goals and hypotheses of the study.

In response to the study's primary goal of determining the degree to which necessity-driven push factors affect entrepreneurial activities in Auchi metropolis Edo State, Nigeria, 76 participants strongly agreed or agreed that dissatisfaction affected entrepreneurial activities, according to the analysis of hypothesis question one. Rejecting the null hypothesis and accepting the alternative, the test of hypothesis -1 using Simple Linear Regression assessed the impact of dissatisfaction and concluded that it did affect entrepreneurial activities This result was in line with Lucie & Nelly (2018), conclusion that dissatisfaction greatly increased the desire to create new venture.

Hypothesis two focused on accounting for the effect of unemployment on entrepreneurial activities. The result shows unemployment has a significant effect on entrepreneurial activity. Also, the extent of variability of the dependent variable (entrepreneurial activity) that is explained by the independent variable (unemployment) was confirmed to be strong as it indicates that between .027% of variability in entrepreneurial activity is explained by unemployment. Hence, this implies that unemployment has significant effect on entrepreneurial activity. This result agreed with the study of Ojiaku, et al. (2018) that was carried out in South Africa and found that unemployment affects entrepreneurial intentions. The result also agreed with the study of Khan and Dubey (2018) and Uike (2019) that also found that unemployment affects entrepreneurial intentions.

## CONCLUSIONS AND RECOMMENDATIONS

The crucial connection between necessity-driven push factors and entrepreneurial activities in Auchi metropolis Edo State, Nigeria has been examined in this study. The premise for change in adopting entrepreneurship should be based on the probable dissatisfaction that young graduates would face in the light of the evidential search for lack of white-collar jobs, rising unemployment, poor wages and salary, poor working conditions among others, as these would help steer a reward philosophy that attracts them to entrepreneurship

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