

INFLUENCE OF ENTREPRENEURSHIP EDUCATION ON PROFITABILITY OF SMALL SCALE BUSINESSES OWNED BY GRADUATES IN PORT HARCOURT METROPOLIS

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Abstract

The study examined the influence of entrepreneurship education on profitability of small scale businesses owned by graduates in Port Harcourt metropolis. The research adopts quantitative survey research design. Three research questions and three null hypotheses were formulated to guide the study. Fifteen items validated instrument was used for the study. The instrument was titled: Entrepreneurship Education and Profitability (EEP). Cronbach Alpha reliability test was used to determine the internal consistency of the instrument and the reliability coefficient was 0.76. Total number of 200 small scale business owners who are graduates were randomly selected in Port Harcourt Metropolis for the study. Descriptive and inferential statistics were employed for the data analysis. The primary data collected was analyzed using Mean and Chi-Square. Mean was used to answer the research questions while Chi-Square was used to test the null hypotheses. The null hypotheses were tested at .05 level of significance. It was found that entrepreneurship education in terms of business innovation and strategic planning positively influence profitability of small scale businesses owned by graduates in Port Harcourt metropolis. On the other hand, entrepreneurship education (business risk-taking) has no influence on profitability of small scale businesses owned by graduates in Port Harcourt metropolis. However, it is recommended that small scale business owners who are graduates should increase their skills in strategic planning and innovation so as to make their businesses more profitable; and learn how to take moderate business risk.

Keywords: Entrepreneurship Education, Profitability, Business Innovation, Business Risk-taking, Strategic Planning.

Introduction

Successful entrepreneurial activities lead to economic development of every country. Nations continually look for ways to boost their economic development in order to maintain their competitive edge. Araba (2012) noted that entrepreneurial development using education as a means to an end will promote nations' economy with greater focus on profitable personal development which can transmute to overall development of the nation. Schools have started incorporating entrepreneurship education into school curriculum to help prepare students for entrepreneurial activities after graduation. According to Alberti, Sciacia and Poli (2004), entrepreneurship education is a structure that comprises of entrepreneurship competencies which involve the mental awareness and concept of skills needed to introduce and understand the functionality of an already existing business. Alberti, Sciacia and Poli (2004) noted the benefits associated with entrepreneurship education which includes acquisition of skills, competencies and abilities; capable of making students self-reliance and in turn play a vital role in national development.

Entrepreneurial education helps prepare students with necessary abilities that will increase their chance of getting employed. The capabilities gotten from entrepreneurship education include the abilities to develop social interaction, solve problems, find information and handle it for decision making, presentation skills, planning, and communication (Grecu & Denes, 2017). Conversely, entrepreneurial education and training equips individuals with the ability to recognize business opportunities, and knowledge and skills to act on them. Also, it includes opportunity recognition, managing resources, commercializing a concept, and initiating a business venture. In addition, traditional business disciplines such as management, marketing, finance and information systems are also taught in entrepreneurship education. Therefore, the importance of entrepreneurship education is vital and cannot be denied (Grecu & Denes, 2017).

Profitability is defined as the ability of given investment to earn a return from its use (Tulsian, 2014). The word profitability is composed of two words profit and ability. Though, the word profit has been defined but the actual meaning of profit differs according to the purpose and use of the enterprise to earn the profits. Profitability is a relative concept whereas profit is an absolute connotation. Despite being closely related to and mutually interdependent, profit and profitability are two different concepts. In other words, in spite of their generic nature, each one of them has a distinct role in business. According to Tulsian (2014), to measure the productivity of capital employed and to measure operational efficiency, profitability analysis is considered as one of the best techniques.

Many nations have relied on the development of entrepreneurship education in order to grow their economy not minding the debate on whether entrepreneurs are born or made (Faris, 1999). Government policies have been promoting entrepreneurial activities for the benefit of its economy. As a result, the government has been introducing and nurturing entrepreneurship education as a means to improve entrepreneurial activities which can lead to economic development (O'Connor, 2010). According to Adeola and Bolarinwa (2010), entrepreneurship education is a collection of approved teaching that trains, informs, and educates individuals who are interested in starting and developing a business. Uzo-Okonkwo (2013) sees entrepreneurship education as the process of providing individuals with the ability to recognize commercial opportunities and the insight, self-esteem, knowledge and skills to act on them. However,

Uzoagulu (2012) argued that in practice some universities simply design one or two entrepreneurial courses, taught by some lecturers who have no practical experience of entrepreneurship while students take such courses as a requisite for graduation.

Entrepreneurship education involves every action targeted at inhibiting the entrepreneurial spirit, behaviour and knowledge and also includes things like ideation, start-up, development and innovation (Fayolle, 2009). The institute of higher learning is constantly introducing courses on entrepreneurship, majority of people is still of the opinion that the objectives of entrepreneurship might not be achieved by mere training and education, and that entrepreneurs are 'born' and not 'made' when it comes to discharging of entrepreneurial responsibilities. A number of individuals silently maintain that teaching entrepreneurship is impossible. To them, entrepreneurship is just a trait and emotional behaviour. Another advanced line of reasoning is that aptitude and nature is never learned in any school of taught (Fayolle, 2007).

Bbenkele (2010) indicated that Entrepreneurship education's objectives is to make individuals to take responsibilities, training people who will assume risk taking, managing outcomes and learning from experience. Besides, the practice of preventing and solving business challenges by entrepreneurs when the need arises, it also, enhances the useful need for self-reliance, achievement and growth of management and entrepreneurship characters.

Nimalathasan (2009) mentioned that profit is the primary objective of a business, which measures not only the success of a product, but also of the development of the market for it. According to Nimalathasan (2009), profit is the report card of the past, the inventive gold star for the future. As an absolute term, profit has no relevance to compare the efficiency of a business organization. A very high profit does not always indicate sound organizational efficiency and low profitability is not always a sign of organizational sickness. The notion of dynamic increasing returns states that reduced production costs and improved productivity are based on the experience gained through rapid growth, which helps the company boost its profitability by increasing the gap between itself and its competitors (Yoo & Kim, 2015).

Garcia and Calantone (2002) in their study revealed that firm innovativeness is positively related to firm profitability. In general product innovation has a significant effect on the profitability of private manufacturing firms which in turn leads to the organization gaining a competitive edge against their competitors (Njagi, 2016). Leiponen (2000) found that the profitability of innovators and non-innovators are determined by different factors, with competencies built on knowledge based factors being much more important for innovators. Research on the link between (product) innovation and profitability at the firm or establishment level suggests that innovators are persistently more profitable than non-innovators (Cefis & Ciccarelli, 2005).

Wiklund and Shepherd (2005) stated that risk-taking refers to the tendency to take bold actions such as venturing into unknown new markets and committing a large portion of resources to ventures with uncertain outcomes. Risk-taking orientation indicates a willingness to engage resources in strategies or projects where the outcome may be highly uncertain (Wiklund & Shepherd, 2005). Risk-taking has a curvilinear relationship with performance of entrepreneurial firms (Kreiser & Davis, 2010). Research suggests that entrepreneurial firms exhibiting moderate levels of risk-taking perform better in market as compared to firms exhibiting either very high or

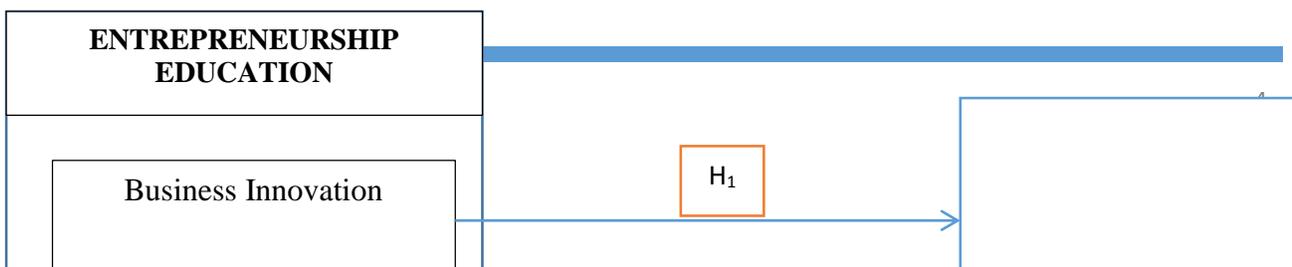
very low levels of risk taking. Studies indicate that factors such as process of forming a risk problem, results of past risk-taking and the ability to perform under-risky conditions affect the risk-taking ability of entrepreneur (Stewart & Roth, 2001).

Strategic planning is defined by Drucker (2004) as the continuous process of making entrepreneurial decisions systematically and with their greatest knowledge organizing systematically the efforts to carry out these decisions and measuring the results against the expectations through organized feedback. Oloko, Anene, Kiara, Kathambi and Mutulu (2014) found that Safaricom Limited had utilized marketing strategies to grow its market share and improve profitability. Wangechi (2005) found out that East African Breweries Limited had made use of marketing research and financial analysis tools as strategies to sustain its profitable operations in the East African region. Arasa and K'Obonyo (2012) found that there is relationship between profitability and use of strategic planning. They argued that organizations that make use of strategic planning generate more revenue and are more successful than those that do not. Wang, Walker and Redmond (2007) define strategic planning as the process of setting long-term organizational goals, developing and implementing plans to achieve these goals, and allocating resources necessary for realizing these goals.

Statement of the Problem

The rate of business failure in Nigeria and unemployment rate among Nigerian graduates are on the increase. Businesses owned by graduates in Port Harcourt struggle to survive and in most cases windup because of low profitability. However, the primary goal of a company is to maximize profitability. Without profitability a firm could not attract outside capital and the business would not survive in the long run. Many factors such as poor electrification within the metropolis, poor funding, lack of managerial skills, high levies, high shop rent have been attributed to low profitability of businesses owned by graduates in Port Harcourt. On the other hand one may ask if graduates possess the necessary entrepreneurial skills to excel in their businesses. Notwithstanding, the researcher is motivated to determine influence of entrepreneurship education on profitability of small scale businesses owned by graduates in Port Harcourt. Hence, the study will help to solve the problem of low profitability of businesses owned by graduates in Port Harcourt.

Conceptual Framework



Source: Researcher's Conceptualization (2019)

Purpose of the Study

The study sought to ascertain influence of entrepreneurship education on profitability of small scale businesses owned by graduates in Port Harcourt. Specifically, the study sought:

1. To determine the influence of business innovation on profitability of small scale businesses own by graduates in Port Harcourt Metropolis.
2. To ascertain the influence of business risk-taking on profitability of small scale businesses own by graduates in Port Harcourt Metropolis.
3. To determine the influence of strategic planning on profitability of small scale businesses own by graduates in Port Harcourt Metropolis.

Research Questions

The following are the research questions for the study:

1. How does business innovation influence profitability of small scale businesses own by graduates in Port Harcourt Metropolis?
2. What is the influence of business risk-taking on profitability of small scale businesses own by graduates in Port Harcourt Metropolis?
3. What is the influence of strategic planning on profitability of small scale businesses own by graduates in Port Harcourt Metropolis?

Null hypotheses

The following are the research hypotheses for the study:

- Ho₁ Business innovation does not significantly influence profitability of small scale businesses own by graduates in Port Harcourt Metropolis.
- Ho₂ Business risk-taking does not significantly influence on profitability of small scale businesses own by graduates in Port Harcourt Metropolis.
- Ho₃ Strategic planning does not significantly influence profitability of small scale businesses own by graduates in Port Harcourt Metropolis.

Methodology

This research adopted descriptive research design. A structured instrument ‘Entrepreneurship Education and Profitability (EEP)’ was face validated by three experts in the field of studies and used for the study. Cronbach Alpha reliability test was used to determine the internal consistency of the instrument and the reliability coefficient was 0.76. The questionnaire has five-point Likert scale format of Strongly Agree (SA, 5 points), Agree (A, 4 points), Neutral (N, 3 points), Disagree (D, 2 points) and Strongly Disagree (SD, 1 point) respectively. Total number of 200 small scale business owners who are graduates were randomly selected from 1,593 small businesses in Port Harcourt Metropolis for the study. Descriptive and inferential statistics were employed for the data analysis. With SPSS software, version 23, the primary data collected was analyzed using Mean and Chi-Square. Mean was used to answer the research questions while Chi-Square was used to test the null hypotheses. The null hypotheses were tested at 0.05 level of significance

Results

Research Question 1: How does business innovation influence profitability of small scale businesses own by graduates in Port Harcourt Metropolis?

Table 1: Business innovation and profitability of small scale businesses (N = 200)

S/N	Items	\bar{X}	SD	Remarks
1	Treating new problems as an avenue for idea development has been profitable for my business	3.95	1.23	Agreed
2	My capability of turning an idea into something meaningful have helped my business to grow in terms of profit	4.44	0.70	Agreed
3	New ideas gotten from evaluating customers’ needs have been helpful to my business	3.95	1.15	Agreed
4	I have used my business insight to grow my business into profitability	3.75	0.91	Agreed
5	I am doing everything in my power to be more be more proactive with new idea in other to profit more in my business	3.61	1.13	Agreed

Source: Field Work, 2019, Grand mean = 3.94, Criterion Mean = 3.0

The Table 1 shows the 5 items used to answer research question one which revealed the grand mean of 3.94. The grand mean for the 5 items is higher than the criterion mean of 3.0. This indicates

that business innovation has influence on profitability of small scale businesses own by graduates in Port Harcourt Metropolis.

Research Question 2: What is the influence of business risk-taking on profitability of small scale businesses own by graduates in Port Harcourt Metropolis?

Table 2: Business risk-taking and profitability of small scale businesses (n = 200)

S/N	Items	\bar{X}	SD	Remarks
6	Venturing into new market with substantial market risk has been profitable to my business	2.85	1.23	Disagreed
7	Deals with high risk has been profitable to my business	2.60	1.25	Disagreed
8	Risking large amount of money for projects improves my business profitability	2.74	1.12	Disagreed
9	I can confidently borrow money to undertake risky projects since it is usually profitable.	2.79	1.19	Disagreed
10	Taking business risk is not a problem because profit attached is awesome	2.90	1.13	Disagreed

Source: Field Work, 2019, Grand mean = 2.77, Criterion Mean = 3.0

The Table 2 shows the 5 items used to answer research question two which revealed the grand mean of 2.77. The grand mean for the 5 items is lower than the criterion mean of 3.0. This indicates that business risk-taking has no influence on profitability of small scale businesses own by graduates in Port Harcourt Metropolis.

Research Question 3: What is the influence of strategic planning on profitability of small scale businesses own by graduates in Port Harcourt Metropolis?

Table 3: Strategic planning and profitability of small scale businesses (n = 200)

S/N	Items	\bar{X}	SD	Remarks
11	Coming up with new strategic plan is necessary for profitability of my business	3.61	0.92	Agreed
12	Following my business plan has been helpful in improving my business profitability	3.86	0.95	Agreed
13	Market survey that I did has helped my business to grow in terms of profitability	3.64	0.96	Agreed
14	Utilizing competitors' analysis that I did has increased my business profitability	3.81	1.04	Agreed
15	I deliberately find ways to take my business to the next level since it increases my business profitability	3.74	0.93	Agreed

Source: Field Work, 2019, Grand mean = 3.73. Criterion Mean = 3.0

The Table 3 shows the 5 items used to answer research question one which revealed the grand mean of 3.73. The grand mean for the 5 items is higher than the criterion mean of 3.0. This indicates that strategic planning has influence on profitability of small scale businesses own by graduates in Port Harcourt Metropolis.

Hypotheses testing

Null Hypothesis 1: Business innovation does not influence profitability of small scale businesses own by graduates in Port Harcourt Metropolis.

Table 4: Chi-Square Test on business innovation and profitability of small scale businesses

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	126.121(a)	16	.000
Likelihood Ratio	144.567	16	.000
Linear-by-Linear Association	32.748	1	.000
N of Valid Cases	1000		

Source: SPSS Version 23

As revealed in Table 4, the test statistic is statistically significant: $\chi^2_{(16)} = 126.121$, $p < 0.05$. Therefore, business innovation has influence on profitability of small scale businesses own by graduates in Port Harcourt Metropolis. However, the null hypothesis one was rejected.

Null Hypothesis 2: Business risk-taking does not have influence on profitability of small scale businesses own by graduates in Port Harcourt Metropolis.

Table 5: Chi-Square Test on business risk-taking and profitability of small scale businesses

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	25.865(a)	16	.060
Likelihood Ratio	26.196	16	.051
Linear-by-Linear Association	1.072	1	.300
N of Valid Cases	1000		

Source: SPSS Version 23

As revealed in Table 5, the test statistic is statistically significant: $\chi^2_{(16)} = 25.865$, $p > 0.05$. Therefore, business risk-taking does not influence profitability of small scale businesses own by graduates in Port Harcourt Metropolis. However, the null hypothesis two was accepted.

Null Hypothesis 3: Strategic planning does not influence profitability of small scale businesses own by graduates in Port Harcourt Metropolis.

Table 6: Chi-Square Test on strategic planning and profitability of small scale businesses

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	37.868(a)	16	.002
Likelihood Ratio	38.883	16	.001
Linear-by-Linear Association	.954	1	.329
N of Valid Cases	1000		

Source: SPSS Version 23

As shown in Table 6, the test statistic is statistically significant: $\chi^2_{(16)} = 37.868$, $p < 0.05$. Therefore, strategic planning has influence on profitability of small scale businesses own by graduates in Port Harcourt Metropolis. However, the null hypothesis three was rejected.

Discussion of Findings

Influence of Business Innovation on Profitability of Small Scale Businesses

It was revealed in the study that business innovation has influence on profitability of small scale businesses own by graduates in Port Harcourt Metropolis. Business innovation by graduates has the capability of influencing their business profitability. This is because innovation helps turn ideas into new products which help firms to increase their competitive advantage. This result is in agreement with Cefis and Ciccarelli (2005) who revealed the link between product innovation and profitability at the firm which proves that innovators are persistently more profitable than non-innovators.

Influence of Business Risk-taking on Profitability of Small Scale Businesses

It was revealed in the study that business risk-taking has no influence on profitability of small scale businesses own by graduates in Port Harcourt Metropolis. Business owners who are graduates disagree that their involvement in business risk-taking has no influence on their business profitability. Graduates are afraid of taking huge business risk because of low capital invested in their businesses. The findings of this study disagree with the findings of Kitigin (2017) who found a strong positive correlation between risk-taking and business performance of SMEs in Eldoret town in Kenya. Research suggests that entrepreneurial firms exhibiting moderate levels of risk-taking perform better in market as compared to firms exhibiting either very high or very low levels of risk taking. Risk-taking has a curvilinear relationship with performance of entrepreneurial firms (Kreiser & Davis, 2010).

Influence of Strategic Planning on Profitability of Small Scale Businesses

In the study, it was revealed that strategic planning has influence on profitability of small scale businesses own by graduates in Port Harcourt Metropolis. Planning helps businesses to succeed. The finding is in agreement with the findings of Wangechi (2005) who found that East African Breweries Limited had made use of marketing research and financial analysis tools as strategies to sustain its profitable operations in the East African region. Arasa and K'Obonyo (2012) also found that there is relationship between profitability and use of strategic planning. They argued that organizations that make use of strategic planning generate more revenue and are more successful than those that do not.

Conclusion

The study empirically revealed the influence of entrepreneurship education on profitability of small scale businesses own by graduates in Port Harcourt metropolis. It was found that business innovation and strategic planning are key factors which positively influence profitability of small scale businesses own by graduates in Port Harcourt metropolis. On the other hand, business risk-taking has no influence on profitability of small scale businesses own by graduates in Port Harcourt metropolis.

Recommendations

From the finding of the study the following were recommended:

1. Small scale business owners who are graduates should increase their skills in strategic planning and innovation so as to make their businesses more profitable; and learn how to take moderate business risk.
2. Entrepreneurs who are graduates from business education should practice moderate level of risk-taking to gradually perform better in business marketing
3. The small scale owners should make use of strategic planning to generate more revenue and be more successful

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