



Sources and Management of Finance: A Panacea for Entrepreneurship Development in Nigeria

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ABSTRACT

The paper thoroughly examines the sources and management of finance as crucial factors for promoting entrepreneurship development in Nigeria. Undeniably, finance holds immense significance as it is an essential component for all types of businesses. In fact, it is often referred to as the lifeblood of any entrepreneurial endeavor in Nigeria. The paper delves into the conceptual aspects of the entrepreneurial process, emphasizing the control and management of finance. Additionally, it highlights the key challenges faced in entrepreneurship development in Nigeria. Ultimately, the paper concludes that by accessing finance through financial institutions and implementing effective management strategies, the entrepreneurial development of graduates can be significantly enhanced, consequently addressing the issue of unemployment among graduates in the country.

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INTRODUCTION

Finance is indispensable to every kind of business and hence it is rightly said to be the life blood of a business. Business finance is the activity concerned with the estimation, raising and administering the funds to be used in business enterprises. Financial Management is concerned with the acquisition, financing and management of assets with some overall goal in mind. It is the process of planning decisions in order to maximize the owner's wealth. Therefore, financial management is the management and control of money and money related operations within a business (Shilpa, 2013).

In recent years, the changing regulatory and economic environments coupled with the globalization of business activities have increased the complexity as well as the importance of the financial activity. As a result, the financial management function has become more demanding and complex. Therefore

Financial Management is the planning, organizing, directing and controlling of the financial activities such as procurement and utilization of funds of the enterprise. It means applying general management principles to financial resources of the enterprise. There are two basic functions of financial management: acquisition of external funds as well as the efficient and wise allocation of funds to various uses (Rakesh, 2013).

Money plays a significant role in the life of every individual, group of individuals and even in organizations, being a purchasing power for the procurement and maintenance of the other business resources. Adequate funding of the business industry and a proper utilization of the available financial allocation make the industry to develop. It enables the business to function smoothly, effectively and efficiently at all times in its productivity (Oresajo, 2020).

Ogujiuba, Umar, Usman, and Kawugana, (2018) indicate that most Small and

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Medium Scale Enterprises do not have good management structures. Often, they are owned by a family and this engenders poor internal control systems. The poor management leads to lack of proper keeping of financial records as well as lack of technical and economic counseling since such business rarely engage the service of qualified consultants. Simple records of financial transactions are not kept and this creates loopholes for fraud which limit accessibility to instructional credit. Small and medium Enterprises (SME's) are most likely to divert funds meant for the business in funding other projects. This naturally will impact on the survivability of the business and equally compromise the ability of the small business to pay back a loan (Mamman, 2010). Many small scale businesses have failed despite the support granted by some organizations, federal and state government. Government has introduced a scheme known as "Loan Guarantee Scheme" to help small scale enterprises to finance their businesses but the problems still are persist due to the following: (Mamman, 2010).

2. Inadequate financial and tax records and poor accounting system.
3. Inability to collect bad debts and to curtail unwise credit policies
4. Failure to maintain stock inventory control
5. Lack of internal auditing

1. Poor planning and control of the organization's financial resources.

SOURCES OF FINANCE AS TOOLS FOR ENTREPRENEURSHIP DEVELOPMENT

It is important to note that the development of entrepreneurs cannot be overemphasized and the role they play in economic development and how they are financed through both formal and informal sources. The development experience of many countries indicates that SMEs can meaningfully contribute to the attainment of many development objectives. These include output expansion, employment generation, even location of industries among regions of the countries, income redistribution, promotion of indigenous entrepreneurship and technology as well as production of intermediate goods to strengthen inter and intra industrial leakages (Nnanna, 2018).

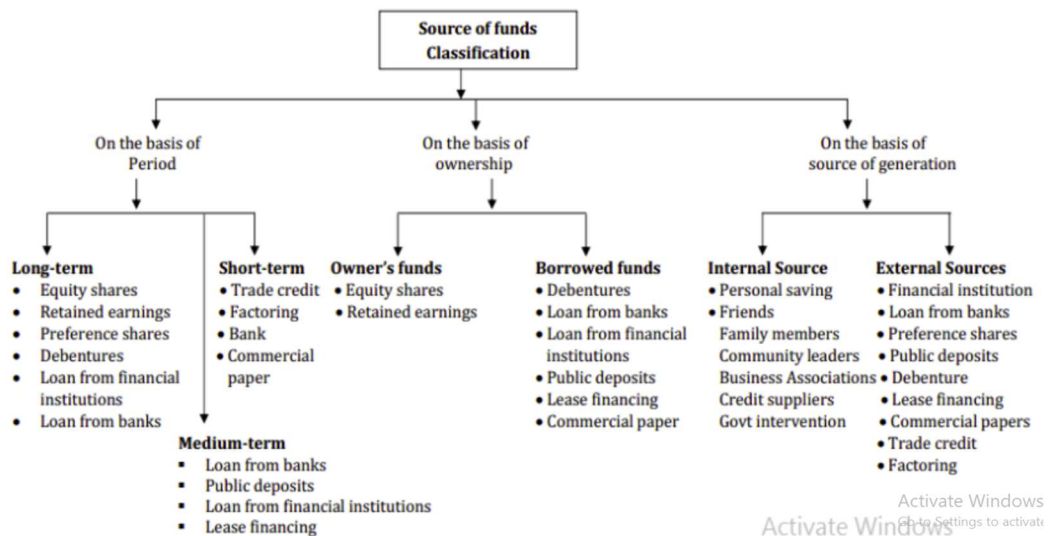


Fig. 1: Sources of Funds

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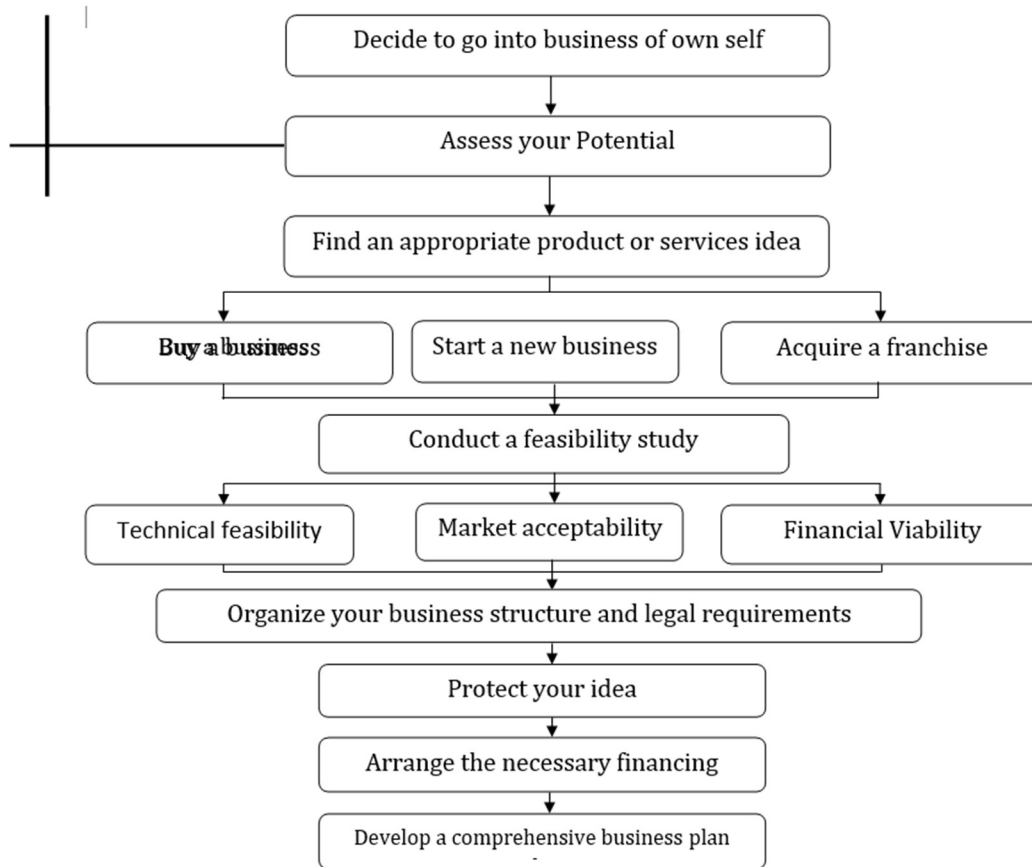


Fig. 2: The Entrepreneurial process

Source: Adapted from Lewis's (2015).

Control and Management of Finance

Financial management operates as the art of management of funds. Its purpose is to provide information to facilitate the management task of planning reporting and controlling funds to ensure optimum performance. Control is the process of promoting business operations to ensure that desired goals are attained by accomplishing predetermined objectives. Resources are provided in any organization when there is availability of funds. That is when there is fund to make the day-day expenditure of running the business or organization that must be

taken into consideration when prices are decided.

Controlling of finance is an important tool of business success and any business enterprise that can control its finances very well is likely to be in a good humidity position. Funds or cash can be a liquid asset to small business; it includes money borrowed by the small business organization cash at hand and money gained from activities of the business. Fund management has both liquidity and profitability aspect. This is if the organization has no economy cash in the account, it may not be able to meet its short term and long term liability

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and if it does not choose the appropriate or consistent way of preparing its account and financing its projects there will be decline in profit.

Financial control and management of funds are therefore very important to any business organization especially small scale business. This is based on the extent to which funds are managed and controlled. The organization will largely determine the extent to which the firm becomes viable.

Financial control and risk management are central to managing any organization effectively to the extent that if they are done well they can contribute to an organization's ability to safeguard its asset, use its resource economically and efficiently and produce accurate and reliable financial information (Ande & Jat, 2019).

PROBLEMS OF ENTREPRENEURSHIP DEVELOPMENT IN NIGERIA

The following have been identified as the numerous financial problems of entrepreneurship development in Nigeria:

1. High cost of finance from the financial institution
2. Poor accounting system
3. Diversion of loan
4. Attitude of investors to entrepreneurship development
5. Lack of collateral securities (Ojaje & Usman, 2020)

CONCLUSION

Entrepreneurship development is crucial for the growth and expansion of businesses, and it heavily relies on the effective sourcing and management of funds. In Nigeria, for instance, funds can be obtained from various sources such as banks, friends, and family members. However, the success of entrepreneurship development among graduates in Nigeria is contingent upon the efficient management of these funds.

When funds are effectively managed, it not only supports the growth of individual

businesses but also contributes to reducing graduate unemployment in Nigeria. By providing aspiring entrepreneurs with the necessary financial resources, they can establish and sustain their ventures, thereby creating employment opportunities for themselves and potentially for others as their businesses expand.

Furthermore, effective fund management encompasses various aspects, including budgeting, financial planning, cash flow management, and investment strategies. Graduates who receive training and guidance in these areas will be better equipped to handle the financial challenges associated with entrepreneurship. This includes understanding how to allocate funds appropriately, make informed financial decisions, and seek opportunities for growth and expansion.

Additionally, fostering a supportive ecosystem for entrepreneurship development in Nigeria involves not only access to funds but also providing aspiring entrepreneurs with mentorship, networking opportunities, and relevant business knowledge. Access to business development programs, incubators, and accelerators can further enhance graduates' entrepreneurial skills and increase their chances of success.

In summary, the successful development of entrepreneurship among graduates in Nigeria relies on both the availability of funds from various sources and the effective management of these funds. By emphasizing the importance of financial literacy, providing training and support, and fostering a supportive ecosystem, Nigeria can create an environment conducive to reducing graduate unemployment and promoting sustainable business growth.

RECOMMENDATIONS

The following recommendations are made by the presenter:

1. Lenders should make easy for graduates to access the loans in order to secure loan facilities at a low lending rate.
2. Graduates who are potential entrepreneurs should keep proper records of their financial transactions, to create confidence in the minds

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- of their lenders, and also to develop or expand their businesses.
3. Graduates who are potential entrepreneurs should be sensitized in order not to divert their loans to other activities.
 4. Government and borrowers should collaborate with graduates who are potential entrepreneurs toward investment in order to create the enabling environment for entrepreneurship development.
 5. Financial institutions which provide loans should minimize the use of collateral securities for granting soft loans to graduates who aspire to become entrepreneurs.

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