

# **Impact Analysis of Violent Conflict and Enabling Business Environment on Entrepreneurial Performance in North East Zone of Nigeria**

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## **Abstract**

The issues of countless loss of lives, properties and closing down of business operations as a result of violent conflict in Nigeria despite enabling business environment and efforts of the Nigerian Government towards entrepreneurship development necessitates this study. The study investigates the impact of violent conflict and enabling business environment on the entrepreneurship performance in Nigeria with a particular reference to North East Zone of Nigeria. The paper adopts a survey research method in order to enhance empirical investigation. Random sampling was used to select 705 entrepreneurs in six (6) states across the North-East Zone. The structural questionnaire was used to obtain primary data while pair test was used to analyse the data. The calculated t-test value for annual sales volume and annual profit volume during violent conflict period and during violent conflict-free period with enabling business environment indicates high significant impact of enabling business environment without violence on good entrepreneurial performance. Thus, it was found that violent conflict leads to low business performance in the zone. In order to maintain peace and improve entrepreneurship performance, the study recommends, among others, that government needs to enforce adequate sanction on any citizen that propagates hate speech in the society.

## **Keywords:**

Violent Conflict, Enabling Business Environment, Entrepreneurship Performance

## **1. Introduction**

The business environment has been a vital point to consider in evaluating entrepreneurial performance, however, the issue of violent- conflict across Nigeria and its impact on entrepreneurship development must not be left unchecked. Business environments comprise of factors such as infrastructure, cultural, economic, social and political environments. Entrepreneurship can be said to be initiating and developing a new business concept or idea for the purpose of achieving economic independence. Conflict is described by Brian-Vincent (2012) as any activity that is capable of disrupting peace, development and stability in any nation or system.

The alarming rate of violent conflict across Nigeria, despite efforts by the Nigerian Government to create enabling business environment for entrepreneurship activities, attracts the attention of this paper. This is because tackling only the problems such as erratic power supply, lack of good roads, corruption, inadequacy of information and political instability in the Nigerian business environment without giving proper attention to violent conflict may impede government efforts towards entrepreneurship development in Nigeria.

The World Bank (2005) is of the opinion that improvements in the enabling business environment leads to greater levels of investment by the private sector; more wealth, job creation, and ultimately more poverty alleviation. This opinion did not take into consideration what happens to entrepreneurial activities during violent conflict. The World Bank (2018) which reported that conflict was higher in 2016 than in 2010 in each of North East, North Central and South-South Zones of Nigeria, revealed that sustained conflict is known to be

caused both by and contribute to poverty. Its findings also state that wealth does not protect households from exposure to conflicts and violence in Nigeria. It was further stated by the World Bank (2018) that the most common and worrisome consequences of conflicts in the North East of Nigeria were displacement experienced by 26% of conflict-affected households, and loss of economic opportunities experienced by 28% of conflict-affected households.

However, despite the consequences reported above, there is dearth of knowledge on simultaneous study of violent conflict and enabling business environment, and their impact on entrepreneurship performance in Nigeria. This study seeks to fill the gap by investigating the impact of the two independent variables (Violent Conflict and Enabling Business Environment) on the performance of entrepreneurial activities in Nigeria. The study is limited to the North East zone because it has been the most severely affected by conflict of any zone in Nigeria over the last decade. The conflict has triggered an acute humanitarian and forced displacement crisis, with devastating social and economic impacts on the population. It has deepened further underdevelopment and regional inequalities (World Bank, 2018). North East Zone of Nigeria comprises six states: Adamawa, Bauchi, Borno, Gombe, Taraba, and Yobe but the most affected states are the Borno, Adamawa and Yobe. According to the World Bank (2018) a very high number of citizens have been affected. One third of households (32%) had someone in their community killed between 2010 and 2017. Similarly high numbers of households reported knowing someone in their community who had been robbed (30%), displaced (30%), or had their dwelling destroyed (32%).

Thus, this paper investigates the impact analysis of violent conflict and enabling business environment on the entrepreneurship performance in the North East Zone of Nigeria.

In order to achieve this, the following research questions were raised:

- i. What is the annual sales volume of entrepreneurs that benefited from enabling business environment during conflict period and conflict-free period?
- ii. What is the annual income of entrepreneurs that benefited from enabling business environment during conflict period and conflict-free period?

The objectives of the paper are to:

- i. Find out the relationship between annual sales volume of entrepreneurs that benefited from enabling business environment during conflict period and conflict-free period
- ii. Determine the relationship between annual income of entrepreneurs that benefited from enabling business environment during conflict period and conflict-free period

## **1.1 Hypotheses of the study**

Based on the research questions and objectives, the following hypotheses were developed

1. There is no significant relationship between annual sales volume of entrepreneurs that benefited from enabling business environment during conflict period and conflict-free period
2. There is no significant relationship between annual income of entrepreneurs that benefited from enabling business environment during conflict period and conflict-free period

## **2. Review of Related Literature**

This section focuses on business environment and violence related studies. Adeoye (2013) conducted a research on the "impact of Business Environment on Entrepreneurship performance in Nigeria". The study concluded that government is the vital organ that can provide a beneficial business environment. Nathaniel (2014) in his similar study on the "effects of selected Socio-Economic Variables on the Entrepreneurship performance in Nigeria Economy" found that entrepreneurship and small business development and innovation are without doubt the future of Nigeria's economic growth and sustainability. The study found positive relations between entrepreneurship performance and Socio-Economic Variables.

Studies on the influence of entrepreneurship education, technology and globalization on performance of SMEs in Nigeria by scholars such as Oluwatayo (2014), Rufai (2014), Aminu and Shariff (2015), and Bosire and Nzaramba (2015), and Bolarinwa and Okolocha (2016) found out that entrepreneurial orientation, competitive advantage and use of technology by SMEs positively impact on business performance in terms of enhanced productivity as well as improved revenue and profitability. Similar, studies by Tingko and Wenyi, 2017, Ibarahim, Ogunraike and Abiodun, (2017), Yusuf (2017) on the effect of entrepreneurial orientation, education skills, use of technology and competencies on firm's performance, effect of business environment on entrepreneurial performance, indicated that acquisition of entrepreneurship education skills; adoption and use of technological devices and platforms, as well as globalisation enhance productivity and profitability of SMEs in Nigeria.

Ibidunni, Atolagbe, Obi, Olokundun, Oke, Amaihian, Borishade and Obaoye (2018) in their study of the "moderating effect of entrepreneurial orientation on the relationship between entrepreneurial competencies and performance of agro-based SMEs in Nigeria" found out that entrepreneurial competencies have a direct influence on performance of Agro-based SMEs. The statistical result further indicated that innovativeness, pro activeness and autonomy are the three entrepreneurial orientations that moderate the relationship between entrepreneurial competencies and performance of firms.

However, the dearth of relevant studies that concurrently examine the impact of violent conflict and business environment on entrepreneurial performance necessitates this study in order to find lasting solution to violent conflict that may likely impede entrepreneurial performance.

It is expected that the results of this study and its recommendations could be beneficial to stakeholders such as entrepreneurs, operators of small and medium enterprises, local and foreign investors; government agencies such as Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), Bank of industry, policy makers and other stakeholders in entrepreneurship development. This may eventually boost employment generation in the study zone and Nigeria in general.

### **3. Research Methodology**

A survey research method is adopted for this study in order to enhance empirical investigation of the impact of violent conflict and enabling business environment on entrepreneurship performance and determine the causes of conflicts and how they can be controlled in order to encourage entrepreneurship in enabling business environment. The population of the study comprises the entire entrepreneurs in the five states in the North East, Nigeria. A total of 705 entrepreneurs that have been in various businesses for the past ten years and that were affected by violent conflicts were randomly selected as sample across the five states. A structured questionnaire was used to obtain primary data and paired T-Test was adopted to analyze data.

### **4. Data Presentation and Analysis**

#### **4.1 Data Presentation**

A total of 705 copies of the research instrument were distributed, but 675 copies, representing 95.7 percent, of the questionnaires was returned and used for data analysis. Presented below in tables 1 and 2 are the data gathered from respondents on the two dependent variables- sales volume and annual income in conflict period and conflict-free period respectively during enabling business environment.

Table 1: Maximum Sales volume/year

<b>Number of Entrepreneurs in Enabling Business Environment</b>	<b>Sales Performance During Conflict Period (N)</b>	<b>Sales Performance During Conflict-Free Period (N)</b>
1 - 168	300,000.00	1350,000.00
169 - 337	375,000.00	1800,000.00
338 - 505	150,000.00	1,500,000.00
506 - 675	300,000.00	1350,000.00

**Source: Field Survey January, 2019**

Table 2 below presents annual profit level of the respondents during conflict period and conflict-free period.

Table 2: Maximum Annual income Level

<b>Number of Entrepreneurs in Enabling Business Environment</b>	<b>Conflict Period (N)</b>	<b>Conflict-Free Period (N)</b>
1 – 168	75,000.00	900,000.00
169-337	75,000.00	525,000.00
338 - 505	30,000.00	225,000.00
506 - 675	75,000.00	1200,000.00

**Source: Field Survey January, 2019**

## 4.2 Data Analysis

Table 3: Paired T. Test, using the paired sample at 0.05 level of significance

S/N	Variables	Means Value		Mean Difference	D f	Calculated t-test value	Standard Error Means	Sig.
		Conflict-free period	Conflict period					
1	Sales Volume	4.18335	3.8833	.3000	674	5.0895	0.08841	.000
2	Income Level	4.7667	2.7333	2.03334	674	46.695	0.06531	.000

Table 4: Paired Samples Correlations 0.05 level of significance

S/N	Variables	Number of respondents	Correlations	Sig.
1	Sales Volume	675	.591	.000
2	Income Level	675	1.2495	.000

## 4.3 Discussion of Findings

This study examined the impact of violent conflict and business environment on entrepreneurial performance. The result from the paired T-Test above reveals that the mean volume of sales volume stood at 3.8833 and 4.18335 in conflict period and conflict-free period respectively and a calculated t – test volume of 5.0895 which is significant at 0.05 level. This shows that there is significant relationship between conflict-free environment and sales volume of entrepreneurs; hence, we reject the null hypothesis.

Equally, the calculated t-test volume for income level during violent- conflict and conflict-free environment at 46.695 is strongly significant at 5% level. Hence, the null hypothesis which states that there is no significant relationship between conflict free period and increase in profit level of entrepreneurs is rejected. Results from the above analysis indicate that entrepreneurs enjoy higher sales volume and higher profit level during violent conflict-free period than during conflict period. This indicates that entrepreneurs experienced unfortunate business expansion as a result of poor business performance during conflict period even when there is enabling business environment such as regular power supply, water, and other infrastructural facilities. This supports the responses obtained from the sampled entrepreneurs that violent conflict leads to low business performance, unnecessary business closure, and reduction in number of employees, unemployment and poverty among entrepreneurs and other people in the society. This corroborates the finding of Oladejo and Adesunkanmi (2014) that violent conflict leads to poor business performance, economic depressions and poor standard of living of entrepreneurs.

Respondents on the causes of conflict in the study zone revealed the following; hate speech, activities of political thugs, and economic frustration, poor understanding of religious knowledge, materialism, reprisals, unemployment and poverty. This corroborates the study by Agostini, Chianese, French, and Sandhu (2008) in Kinshasa, Bogota, and Nairobi which found that corruption, drugs, unemployment, absence of the state, and spatial segregation are specific risk factors that correlate with violence.

## 5. Conclusion and Recommendations

The study concludes that while conflict-free period promotes entrepreneurship performance, violent conflict period leads to unfortunate business expansion as a result of low business performance, unnecessary closing down of businesses, and reduction in number of employees, unemployment and poverty among entrepreneurs and other people in the society despite enabling business environment.

Based on the conclusion above and since Entrepreneurship Development and Small and Medium Enterprises are thus important tools for rapid diversification and recovery of the economy, the following recommendations that promote peaceful co-existence among people and that can enhance entrepreneurship performance are provided.

1. Government must ensure adequate sanction on any citizen that propagate and spread hate speech in the society. This will enable individual citizen to respect one another without disturbing other people's peace.
2. Political thugs in the society must be identified and called to order with proper orientation and reformation towards gaining employment opportunities. This maybe by engaging these citizens into entrepreneurial activities in their domain.
3. Religious leaders should ensure proper understanding of their religions, demonstrate and communicate same to their followers.
4. People should learn to forgive and forget past injustice in order to avoid unwanted reprisal. Orientation should be given to members of the public through public enlightenment programmes across the country.

Other similar recommendations by Oladejo and Adesunkanmi (2014) are:

5. Religions leaders (Muslims and Christians) and the traditional rulers across Nigeria, northern Zone in particular, should be tasked by the Federal Government to organise educative programmes and workshops in their domains to ensure mutual understanding between Muslim and Christian and to promote peaceful co-existence among Nigerians.
6. Government should give more priority to Youth Empowerment through the provision of special intervention fund for entrepreneurship development. Such intervention fund can be in form of loan/capital with low or no interest to entrepreneurs.

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