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Entrepreneur-SME Manager Traits and Sources of Financing

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Introduction

Small and medium-sized enterprises' (SMEs) successful outcome is the lifeblood of the economic system. Entrepreneurship is a necessity and is profitable in Nigeria. The importance and performance contribution of small and medium business as a creator of employment, in particular, for those with low skill level, is widely recognized. SME employs 87.9% of the workforce in the private sector (Eniola and Entebang 2014). Likewise, in the agriculture and manufacturing sectors, SMEs employ more than 80% of the total workforce. An increase in employment of SMEs in the last few years has exceeded the increase in their contribution to GDP, highlighting the employment creation potential of this sector of the economy. Nevertheless, despite their many performance contributions to Nigerian economy, SMEs are still beset by the high level of miscarriage and substandard performance. According to the report of the Vision

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2020 National Technical Working Group on SMEs (NPC 2009), the performance of SMEs in the term of contributions to the nation's export earnings is a dismal 2%. This depicts the lack of sustainability of Nigeria's SME sector in this regard. SMEs account for only 10% of our GDP. The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) announced that there are over 40 million Micro, Small and Medium Enterprises (MSMEs) in Indonesia, whose population is just a bit larger, compared to 17.8 million MSMEs in Nigeria (Okafor 2014). One of the reasons adduced for this disparity is the choice of financing decisions as ending institutions have been very reluctant to make loans to SMEs, which they regard as a high-risk sector. Hence, perceived financial constraints affect the demand for financing by SMEs.

The availability of financial sources can expand a firm's capacity to take up its innovative activities, whereas the lack of financial funds and sources may limit entrepreneur innovation activities and firm-level performance growth (Kostopoulos et al. 2002). Gitman and Zutter (2012) and Gitman (2003) in business management informed that finance is about choices and these choices embody, however, firms that raise capital in terms of debt and equity. Firms invest capital to find profits and the way they come to a stopping point whether or not to reinvest earnings or issue them to investors. The researchers further posited that entrepreneur who sees the financial decision-making process will be better capable of addressing financial concerns and will, therefore, more often get the resources they require to make their own ends. The theory of organizational capabilities (Chaston et al. 2001) suggested that small firm development depends on the abilities of the firm entrepreneur-managers and employees to plan for and adapt to the business environment in which they operate. One of the organizational strategies is that financial decision must be implemented through people. Organizational capability is based on the premise that organizations do not think, make decisions, or allocate resources; people do (Ulrich and Lake 1991). Thus, entrepreneur-managers are in charge of controlling and taking responsibility in any organization; their qualities, practices, aptitudes, and every one aspect associated with the disposition and cognitive intelligence will eventually decide the decision-making strategy. The capital structure is one of the vital measures of a firm's successful outcome. Different entrepreneurs have different idiosyncrasies and attributes that add to the firm's financing sources.

This study presents the findings of a survey conducted with the Nigerian entrepreneur-SME managers regarding their decisions towards sources of financing. Most of the work in the business literature concerning the decision and the decision-making process is confined to the large company (Ogarcă 2010). The SMEs are not quite the same as big firms in a variety of ways: the variations between large and small firms' financing decisions might be the immediate capacity of the owner-manager to determine and have attributes (Cassar and Holmes 2003), like experience, educational level, training, business ideas, and ability to manage change concerning financing sources. The presumption that has stayed insistent after some time is that owner characteristics don't make a difference in the financing decisions' choice of firms (Ang et al. 2010). This presumption, nevertheless, has been watered down. Studies show that there is a developing body of literature concentrating on the relationship between manager's characteristics and firm's successful outcome. Additionally, there are previous studies on entrepreneur-SME manager demographic characteristics that can better clarify choice of financing decisions (Ang et al. 2010; Åstebro and Bernhardt 2003; Borgia and Newman 2012; Bertrand and Schoar 2003; Gebru 2009; Isachenkova and Mickiewicz 2004; Ishikawa and Takahashi 2010; Mac an Bhaird 2010; Mohamed Zabri and Jonathan 2014; Neeley and Auken 2009; Rossi et al. 2016; Scott and Irwin 2007).

Borgia and Newman (2012), Ishikawa and Takahashi (2010), Mac an Bhaird (2010), and Rossi et al. (2016) asserted that qualification level, experience, age, and gender determine the entrepreneur's financing decisions. Earlier studies on this exploration have been principally from the developed context (Rossi et al. 2016; Mac an Bhaird 2010); fewer have applied owner-manager attributes within the developing and emerging economy (Borgia and Newman 2012; Gebru 2009; Mohamed Zabri and Jonathan 2014). Based on the research of Rossi et al. (2016) carried out in a developed country, the researchers found that the financial decisions are complex, but underestimated by entrepreneurs, considering the level of education, the business size, and business status as traits of decision-makers in financing decisions. The research was carried out in the developed country which may not be applicable to developing countries. Likewise, the research adopts largely conceptual analysis; thus, there is a need for empirical analysis and consideration of more variables. Hence, there's a need for empirical reviews conducted, primarily, on SME owner-manager. There is a lack of analytical studies, the prime motivator for the present study. Latent business sector establishments assist in increasing the degree of asymmetric information relationship between the organizations and external financiers and influence on the psychology of the owner-manager, making them more averse to risk and external control (Borgia and Newman 2012). Subsequently, absence of access and managerial characteristics are more liable to having a greater amount of an impact on financing source decisions in developing and emerging nations like Nigeria than in a developed environment where there is the lowest degree of asymmetric information relationship between the organizations and external financiers and more prominent access to formal sources of finance. Bertrand and Schoar (2003), Borgia and Newman (2012), Rossi et al. (2016), and Mac an Bhaird (2010) showed that managerial characteristics are also important factors of sources of financing decisions considering the fact that most empirical studies concentrate ordinarily on firm, industry, or market-level characteristics to elucidate company behaviour and performance, but however to a great extent overlook the conceivable part that individual managers might play in forming these results. Thus, this study concentrates on entrepreneur-SME manager's education level, religion, ownership status, gender, experience, and its impact on the choice of sources of financing. This is viewed as essential as strong and appropriate investment strategies like settling in financing for small and medium business can enhance local economic development consequently lessening neediness and unemployment and increasing productivity, innovation, and expansion of riches.

Moreover, just like the case in practically every developed and developing country, studies of Mac an Bhaird (2010) and McMahon et al. (1993) show that traditional financing theory forwarded to provide adequate guidance on financial structure decisions of firms in developed economies does not fully explain the financial behaviour of SMEs due to the weak model tested. This was affirmed by Newman et al. (2012) who indicate that traditional financing theory in the developed environment is not applicable in developing and emerging economies to explain the financial behaviour of SMEs. Thus, the study extending the organizational capability literature to address a key views within the entrepreneurial financing decision-making, specifically, looking at the part of the capabilities in decision-making practices. In like manner, utilizing the organizational capability approach as a part of an investigation of capital structure decision might consequently help entrepreneur-SME managers, practitioners, and policymakers in designing and delivering suitable financing and backings at applicable stages to the exceeding advancement of their firms. Likewise, it will assist owner-managers concerned to reduce and be able to solve the problem at a tolerable level. The remainder of this chapter has been organized as follows. Section "Theory and Hypotheses" describes theory and hypotheses development. Section "Conceptual Issue" provides research scope and methodology. In section "Methodology", the results are analysed. In section "Results", a discussion of the results is given. Section "Discussion" concludes the chapter.

Theory and Hypotheses

Researchers have opined that traditional finance theory does not provide adequate guidance on financial structure decisions in entrepreneur-SME (Mac an Bhaird 2010; McMahon et al. 1993). The assumptions associated with the traditional financial theories of the capital structure are based on the fact that the explanatory power of a number of tested models is rather weak and is not entirely relevant to SME financing. Likewise, they based the fact that on market conditions relevant to large public firms. SME financing is much more complex than the financial health, and survival of the firm is multifaceted, depending on entrepreneurial skills and management experience, financial management capabilities, financial advice and expertise employed, the personal wealth of the firm owner, and risk propensity. These issues are all interconnected with firm financing choice. Moreover, it is important to note, however, that these and other financial theories of the capital structure were developed within the context of large corporations in developed economies (Harris and Raviv 1991). For SMEs in emerging economies, this presumption does not hold; empirical tests of these theories for SMEs in emerging economies suggest that these theories do poorly in explaining capital structure decisions and financing behaviour. According to Kochhar (1997), management researchers have considered choices on capital structure emerging from the decisions of managers, the board of directors, expansion into new organizations and institutional investors. Whereas these reviews have certainly strengthened some comprehension of the connection between strategic management and capital structure, they have to a great extent overlooked some fundamental issues going up against, like researchers strategy and financing interaction. Decision-making in terms of financing decision is an important component of business strategy. Decision-making is a deliberative and definitive social activity, concerned with deciding what to do despite an issue (Ejimabo 2015). Accordingly, Eniola and Entebang (2017) noted that managers make many decisions as part of their everyday actions. They are expected to resolve a variety of issues, including those concerned with a firm's strategy, structures, quality-improvement systems, performance appraisal systems, and workflow, among many others. Contextually, making a decision on the sources of financing to a specific business speaks to one of the essential components in the financial decision-making process, a decision that can critically enhance their organization's capacity to respond to competitive challenges, undertake innovation, overcome financial setbacks, and, most importantly, create value (Eniola and Entebang 2017).

Eisenhardt and Martin (2000) applied the resource-based view (RBV) to bespeak the significance of SMEs' financial capital decision-making. The RBV concentrates on the understanding and managing of the firm's 'resources and capabilities' (Barney 1991). Capabilities also include decision-making practices (Orser et al. 2000), competencies (Julien and Ramangalahy 2003), and managerial capacity. According to Ismail et al. (2012), capabilities are conceptualized and classified and include, among other things, strategic decision-making, organizational skills and collective learning, core competencies, resource development competence, organizational integration, and alliance-building, product development, relationship-building, and informational and technological capabilities.

Organizational capabilities have been developed within the RBV (Barney 1991, 2001; Peteraf 1993; Wernerfelt 1984). The RBV expands Schumpeter (1934), Penrose (1959), and Scherer's (1980) work by theorizing that the firms compete through control of resources. In this perspective, the organizations' management has the independence to actuate its own strategies, subsequently lessening the effect of the competitive environment. Additionally contemplated, the environment is viewed as significantly more subsequently of the strategic choices organizations make inside an industry, in the light of resource heterogeneity (Eikelenboom 2005). The RVB expresses differently strategic management's exploration questions of exceeding the competition as the aftereffect of the fundamental competencies and capabilities (Scarbrough 1998). In this manner, the RBV has profoundly moved the terms of civil argument in the strategy area and has **altered** the model of discourse within the broad domain of organization theory. Therefore, this study adopted the managerial perspective of the resource-based view having moved away from an economic to a managerial theory of the firm (Eikelenboom 2005).

According to Chaston et al. (2001), the theory of organizational capabilities suggests that small firm development depends on the abilities of the firm owner-managers and employees to plan for, make a decision, and adapt to the business environment in which they operate. According to Ellis and Pecotich (2001) and Leonidou and Adams-Florou (1999), awareness of opportunities is commonly acquired through social contact linking decision-makers with others. Identification of a positive relationship between a homogeneous collection of organizational capabilities and small business performance, as well as a more heterogeneous set of practices, is associated with the average performance of small firms (Sadler-Smith et al. 2003). Organizational capabilities refer to the skills, experience, business ideas, and abilities of the individuals within an organization. A good organizational structure could enhance the manager's ability to manage change and team-working capacities, both of which are an important part of organizational resources. Another aspect of organizational capabilities that has been extensively researched is that of information usage and marketing research. Julien and Ramangalahy (2003) argued that successful small firms have been associated with greater skills in organizational learning and strategy development. Smallbone et al. (1995) documented an association of a homogeneous set of organizational competencies with small businesses that have achieved high growth rates.

Analysis of how a firm's internal system adapts to changing strategies for gaining sustained advantage must include the role of the people as organizations do not think or make decisions but people do. Organizational capabilities denote an organizational context for organization members that shape and explain organizational behaviour (Tomer 1995). However, the study of organizational behaviour has led to a number of useful models for decision-making in many businesses. Thus, decision-making is essential practically in all business management and is a significant factor of organizational capabilities. Central decisions in terms of organizational advancement and growth are made by their owner-manager in entrepreneurial firms (Kotey and Meredith 1997). One of the organizational strategies and capabilities is that they implement the financial decision-making (Ulrich and Lake 1991).

According to Tomer (1995), it is difficult to clarify the behaviour, personality, and motivation of an individual in a firm alone by the firm's tangible capital make-up of physical and financial resources and also the individual, human capital. Thereafter, to those tangible and individual attributes, behaviour and productivity are thought to be decided by organizational components consisting of the structure of the organization and the organization's socialization approaches. Kaplan and Norton (2004) aggregate up the organization's culture, its managerial leadership, how aligned its people are with its strategic goals, and employees' adeptness to a lot of knowledge as parts of organizational capabilities. Organizational capabilities have been the recognizing component of human capital and have been portrayed as a type of human capital just not vested in the people, but more rather in the elusive linkages between individuals. Hence, organizational capabilities are viewed as a type of human capital since its productive and innovative capacity is personified in humans.

Moreover, according to Leonard and Sensiper (1998), organizational capabilities refer to the efficiency of problem-solving procedures in specific areas of application; the ability to use and apply knowledge and to master innovation; as well as the intelligence of markets and demand. This concept implies that it is possible to identify a firm's capability that remains distinct from its members. The external sourcing of financing for innovation has also been prominent in the knowledge-based firm (Cohen and Levinthal 1990; Grant 1996; Leonard-Barton 1995). According to Ulrich and Lake (1991), organizational capabilities' development and business ownership involvement may facilitate firm restructuring and a shift in the mindset of owner-manager towards financing objectives in strengthening the firm. The theoretical implication of these approaches is that innovation depends on the leveraging of organizational capabilities and financial sources and resources (Chapman 2006; Mazzucato 2013; O'Sullivan 2005).

A firm uses both debt and equity financial assets to generate cash flow, and also provide collateral, with which to finance new innovation. Innovation is regarded as an organizational capability because it is an act that deploys resources with a new ability to create value (Yang et al. 2009). New innovation also needs the technical expertise of employees, whereas the assumed cash flow (source of financing) belonged to the SME in which the owner-manager could use it to grow and develop the organization. In the past, the complementarity between financial capital and human capital held the firm and performance growth together. This balance of power is reflected in the traditional view of the organization (Donaldson and Lorsch 1983). In Schumpeter's analysis, financing sources have been viewed as an important part of the innovation process (Mazzucato 2013; O'Sullivan 2005), while, according to Chapman (2006), innovations have a strong effect on financial success.

Conceptual Issue

SMEs and entrepreneurs, taking into account its multidisciplinary attributes, have for quite a while demonstrated a problematic and elusive conception to outline whether or not a plurality of characteristics, traits, and qualities ought to be utilized to characterize business enterprise (Darren and Conrad 2011; Williams 2008). SMEs are firms or organizations emerging subsequently of entrepreneurial activities of people. SME and entrepreneur goal closer to the similar objective; each is noted for innovation development, economic development, economic improvement, economic change, and application of possessed competencies. Additionally, assume a critical part in the socio-politico-economic transformation of the economy of the nation. This suggests that their prosperity or disappointment is being bent by some set of comparable elements. SMEs and entrepreneurs have on many events been utilized correspondently (Darren and Conrad 2011; Gilmore 2011); that is, each of these concepts has been used evenly. SMEs in Nigeria may in a roundabout way mirror the present advancement of business in the nation. In this review, the expression 'entrepreneur and SME manager' is utilized as a common term for the person who settles on financing decisions in developing firms.

According to Kuratko (2011) and Anderson and Gaddefors (2016), entrepreneurship is considerably more than just starting a new firm or significant creation of business. Entrepreneurs must possess unique competencies such as their obsession with entrepreneurial outcomes through decision-making instead of process. Entrepreneur, particularly, in Nigeria is usually restrained in resources with a view to helping them to develop a sustained advantage over their competitors. Most Nigerian entrepreneurs assume the positioning of or unnecessarily the usage of financial sources and resources inefficaciously that tends within the long term to have an effect on the Nigerian organization. Nigerian firms may additionally have firm-specific and valuable assets; however, unless it has the attributes and functionality to apply one's assets efficaciously, it cannot create a one-of-a-kind competency. A firm's goals and objectives should align with its resources and capabilities, leveraging and helping it achieve its strategic intent. There is a low level of financial awareness among those running small businesses in Nigeria. This encompasses both a lack of awareness of the range of options available and a lack of understanding of how those options work in practice, even after the business becomes aware of them. As soon as the intent has been coherent, the businesses should be able to analyse the resources and capabilities needed to shut the gap amid the strategic intent and also the current role.

Previous studies has indicated that small and medium business owner-managers' penchant and characteristic (Borgia and Newman 2012; Gebru 2009; Neeley and Auken 2009; Mac an Bhaird 2010) and the business's internal structural issues impact financial decisions, which incorporate the utilization of debt and equity (Neeley and Auken 2009). Andrews (1980) asserted that financing source decisions are reached taking into account managerial prospect on the worth of the organization in reference to internal and external business factors. Along the same lines, Malmendier et al. (2011) indicated that perceptible managerial characteristics have significant explanatory power for financing decisions past traditional capital structure determinants. Other studies confirmed that the firm's strategic choices, behaviours, and performance outcomes are to a large extent influenced by the entrepreneurial characteristics (Smith et al. 1994) and their decision-making styles (Eisenhardt 1989).

Penrose (1952, 1995) maintains that human capital, such as the entrepreneur's educational level, experience, and other personal characteristics, is the antecedent of key resource endowments. The converse assertion is that owner-managers of SMEs who had degrees generally have a competitive advantage and provide an entrepreneur with a greater mental ability to be an innovator, make a decision that would bring successful outcomes, and impact positively because he is able to satisfy the demands of a changing job environment. Mac an Bhaird (2010) outlined two procedures used in relation to owner characteristics which have been examined in the literature into the owners' personal characteristics (i.e., age, gender, race, education, and experience) and owners' choices, business outcomes, and motivations. Islam et al. (2011) noted that entrepreneurial characteristics encompass demographic characteristics (i.e., age, gender); individual characteristics (i.e., education, former work experience); personal traits (i.e., self-confidence, perseverance); entrepreneurial orientation (i.e., autonomy, innovativeness, risk-taking, proactiveness, competitiveness, aggressiveness, and motivation); and entrepreneur readiness (also known as self-efficacy). Organizational outcomes are directly impacted by the knowledge, experiences, and expertise of those individuals occupying prominent managerial roles in the organization (Hambrick 2015; Hambrick and Mason 1984). These authors introduced a model in which situations occurring in the context of organizational life are addressed by managers whereby strategic choices are made as a function of the unique characteristics these individuals exhibit. As a result of the choices made by these individuals, organizational success is argued to be directly impacted. Thus, focuses on examining demography to suggest that managerial characteristics are reasonable proxies for underlying differences in cognitions, values, and perceptions (Carpenter et al. 2004). Thus, variables such as business status and specific focus of work experience and educational background can be applied to predict the actions of an entrepreneur when faced with strategic decisions in organizations.

Gender

Research on the gender of the owner-manager tends to focus on the male owner-managers, as the proportion of firms owned by men exceeds that owned by women (Boyer and Blazy 2014; Osei-Assibey et al. 2012; Woldie et al. 2008). This is ascribed to a distinction between the risk perception and complication to funding sources for enterprise initiatives (Gicheva and Link 2013; Storey 2011; Boyer and Blazy 2014). Carpenter et al. (2004) and Hambrick and Mason (1984) applied upper echelon theory as embedded in the resource-based view theory and extended it to organizational capabilities and argued that gender, a demographic characteristic (Islam et al. 2011), can be utilized as surrogate for their archetype of knowledge and decision-making; therefore, the studies on gender, which opine that women have a distinctive management approach than men indicate that gender-differing qualities in the management of SMEs will absolutely strengthen the connection between organizational capabilities and firm success. Barney (1991), Barney (2001), and Barney and Hesterly (2015) posited that a unique set of different resources at the establishment is critical for new venture survival and economic success. Female entrepreneurs are somewhat disadvantaged when it comes to providing financial capital to their business than their male counterpart. Female entrepreneurs are reluctant to move around their commercial enterprises because they are at a resource disadvantage as a consequence of insufficient business experience, decision concerning the financial mix, lack of freedom for their domestic role, and less value for business expansion, and they are more vulnerable due to lower human capital and employment (Aterido et al. 2011; Caliendo and Kritikos 2010; Beck et al. 2011). Rosenbusch et al. (2009) indicated that women also make less use of external financing choice than males. Caliendo and Kritikos (2010) supported this, that because female entrepreneurs are faced with limited resources, they deliberately adopt a lower growth expectation. Morris et al. (2006) and Robinson and Finley (2007), however, do not observe a significant link between gender and firm success and have tended to conclude that the business owner-manager's gender is not a significant factor in explaining a small and medium firms' financing decision and growth behaviour. Crawford and Unger (2000) and Rosenbusch et al. (2009) posited that females can be required to act in ways similar to males if both have an equal sustained advantage in making the decisions via available and required resources, and the functioning of both genders may eventually result in similar issues. Low success expectation can lead to an inferior firm's success. Rosenbusch et al. (2009) demonstrated that the same economic outcome can be achieved with human capital that is useful for decision-making and in founding and running a business. Lenders substitute human capital with gender account of business owners when making decisions about providing financial capital. Women are disadvantaged regarding the accumulation of financial assets as well as the decisions concerning the financing mix and other resources; it is argued that many females are reluctant to transform their economic resources into empowering outcomes within the firms. This reluctance by females can result in differences in firm outcomes. Researchers have examined the effect of gender on the firm's success. Thus, gender is adopted as an antecedent to influence the owner-manager's choice of sources of financing.

H1 *There is a significant relationship between the gender and the choice of sources of SME financing.*

Education

The converse assertion is that SME owner-managers who had degrees generally have a competitive advantage and provide an entrepreneur with a greater mental ability to be an innovator, make a decision that would bring successful outcomes, and impact positively because he is able to satisfy the demands of a changing job environment. Mac an Bhaird (2010) argued that entrepreneurs with higher levels of education stand a better chance of networking as they are able to contact varied sources for information and other resources. Also, they are more likely to comprehend and exploit business opportunities (Srinivasan et al. 1994), have a higher ability to develop strategies, make sound decisions, and gain higher credit worthiness (Bates (Bates and Hally 1982; Bates 2014). Islam et al. (2011) noted that entrepreneurial characteristics such as education effect as one of the success factors in small business. The education level of the owner can spur the business to survive and manage a complex setting and keep the business choice of financing making and profitability. Studies confirmed that an owner-manager acquiring basic pecuniary, exponential, and literacy skills therefore increases the probability of survival (see Carter and Jones-Evans 2000; Osei-Assibey et al. 2012; Storey 1994). SME owner-managers' education indicates exceptional human capital and correlates more positively with the decision pertaining to the choice of sources of financing (Sara and Peter 1998; Cassar 2004). Osei-Assibey et al. (2012) in their study of firm choice of financing found that owner's education fulfilment is significantly related. This shows that the owners' level of education is a major antecedent of choice of financing. SME owners with less education rely more on their equity even if there are possibilities for debt financing, while more educated owners are found to make use of debt financing scheme even if equity sources are not exhausted (Mohamed Zabri and Jonathan 2014). SME owner-managers with any type of qualification are more likely to make a decision about choice of financing as well approach external funders than respondents without qualifications (Mohamed Zabri and Jonathan 2014). Hence, entrepreneurial education is adopted as a factor influencing the owner-manager's choice of sources of financing.

H2 *There is a significant relationship between the education and the choice of sources of SME financing.*

Religion

All religions are a part of the economic and business culture. A study has confirmed that the culture does influence capital structure (Mac an Bhaird and Lucey 2014). The resources of religious owner-managers pervade all aspects of human behaviour and have been distinguished as organizational capabilities and decision-making in the control of resources and interpersonal relationships (Seiple et al. 2012). The innovation capability can be genteel through organizations' religious values that are organizational innovation, networking capabilities, and expertise. Baxamusa and Jalal (2014) investigated the impact of the religious environment of the firms on their capital structures and found that increase in religiosity leads to a lower leverage and less frequent debt issuances. Paauwe (2004) affirmed that the manager makes rational choices bounded on uncertainty, information limitation, and heuristic biases. Pearce et al. (2010) combined rational choice theory from the sociology of religion, with the concept of entrepreneurial capabilities, and found that the religious organization benefited from the application of entrepreneurial orientation perception. Studies have examined the impact of religion on personal financial decisions (Hess 2012) and firm behaviour (Baxamusa and Jalal 2014). Financing choices of entrepreneurs in the SME sector are believed to be widely influenced by the religious orientation of the entrepreneur seeking funding (Ahmad and Seet 2009). However, there is a paucity of research in this area due to lack of vital information. Despite this, the research conducted by Othman and Owen (2001) showed that most people are influenced by their religious affiliation in choosing financing options. A subsequent survey by Zainuddin et al. (2004) concluded that people's religious motivation influenced decision-making in financing choices. Therefore, religion has a lot of influence on the relationship quality. Differences in religious affiliations cause variation in decisions for SME owner-managers (Khraim 2010). Religious beliefs and values influence SME owner-managers towards making value choices. Religion as a factor has a significant influence on the relationship in determining SME owners' financing choices.

H3 *There is a significant relationship between the religion and the choice of sources of SME financing.*

Business Status

According to Mac an Bhaird (2010), the SME owners' unwillingness to abdicate control of their business is entrenched in previous studies, and SME owners will pass up positive net present value projects rather than dilute ownership in terms of business status. The business status structure is another important antecedent of SME's firm choice of financing. It is negatively related to external equity and positively related to internal equity (Mohamed Zabri and Jonathan 2014). The concept of competitive advantage has been extended by scholars to explain ownership (Conner 1991; Prahalad and Hamel 2006). Business status in terms of ownership positively affects firm performance through the firm's new-found access to financial and/or non-financial resources and competencies. A key assumption in such arguments is that the generation of competitive advantage rests upon the primary motivation of business status of the organization in view of ownership. One of the disadvantages of closely held ownership, however, is the limited managerial knowledge, experience, and expertise available when making strategic, value-creating decisions. SME firms with a broad business status make-up, together with fewer constraints on important intangible resources, can have an eminence of the breadth of knowledge, skills, and expertise than closely held firms. Nevertheless, Cassar (2004) showed that the ownership provided no explanatory power concerning the proportion of leverage in the firm. Osei-Assibey et al. (2012) found that business status in terms of ownership is statistically significant in the future financing model indicating a relationship between determinants and firm's choice of financing. As the level of interference increases due to the ownership changes, firm's choice of financing also increases. Therefore, this suggests that business status is adopted as a factor influencing the owner-manager choice of sources of financing.

H4 *There is a significant relationship between the business status and the choice of sources of SME financing.*

Entrepreneurial Experience

Researchers argued that business experience will greatly affect firm success (See Storey 1994, 2011; Berrell et al. 2008). Bates and Hally (1982) and Bates (2014) asserted that experience is more important than education in determining firm success. Studies have generally shown that SME owner-manager with more managerial experience or prior SME experience as an owner-manager tends to correlate with greater outcomes. Barney (1991) indicated that human capital resources include the perspicacity, training, experience, and networking of individual managers in a firm. Mac an Bhaird (2010) confirmed that resources are directly related to the past activities of the firm, which is especially true in respect of managerial and organizational capabilities. Cassar's (2004) findings showed that the entrepreneurial experience increases firm's decision-making towards debt usage, where managers with a greater level of business experience are found to make a better decision towards the choice of financing. Borgia and Newman (2012) found that owner-managers' experiences are significantly and positively related to the level of firm leverage. As the SMEs typically grow from start-up or become developed by serial entrepreneurs, managerial experience accumulated in the entrepreneurial course is extremely valuable and forms the core of the SME literature on organizational experience. Furthermore, Mac an Bhaird (2010) implied that previous empirical studies of organizational and entrepreneurial knowledge indicated that investment decision-making in SMEs is based on experience, that is, on the basis of experiential learning, in preference to formalized methods. Experience is extremely important, as it provides time to recognize opportunities, develop networks, and learn how to access and to interact with funders, including bank managers and venture capitalists. Thus, a large part of entrepreneurial learning is based on experience. Hence, entrepreneurial experience is adopted as a factor influencing the owner-manager's choice of sources of financing.

H5 *There is a significant relationship between the experience and the choice of sources of SME financing.*

Methodology

There is no clear-cut definition of SMEs in Nigeria, but it varies over time from organization to organization. Various organizations or institutions in Nigeria have, at specific times, defined SMEs in different ways, but the definitions have as common measures fixed assets, gross output, and the number of employees (Eniola 2014). This study adopted the definition of SMEDAN/National Bureau of Statistics (NBS) (2010) with microenterprises defined as enterprises which employ fewer than ten persons and with asset value (excluding land and buildings) of less than N5 million or total annual turnover which does not exceed N10 million. Small enterprises are defined as enterprises which employ fewer than 50 persons and with asset value (excluding land and buildings) of less than N50 million or total annual turnover which does not exceed N100 million, and medium enterprises are defined as enterprises which employ fewer than 200 persons and with asset value (excluding land and buildings) of less than N500 million or total annual turnover which does not exceed N500 million.

The study was carried out among the MSMEs within the states located in the south-west region of Nigeria with the adopted questionnaire survey methodology. The questionnaire content was adapted from earlier studies (Allen 1991; Graham and Harvey 2001; Mac an Bhaird and Lucey 2011, 2010; Mac an Bhaird 2010; Michaelas et al. 1998; Pinegar and Wilbricht 1989). Questionnaire distribution posed to all respondents is uniformly phrased, so as to allow objective comparisons of results obtained. The questionnaire covers all aspects of the study and consists of mainly open-ended and closed-ended questions with the majority of items measured on a Likert scale. A total of 613 SMEs were contacted. In all, 504 SMEs replied, representing a response rate of 85.6%. While in conformation with the SMEDAN definition of SME, the study looks at enterprises that have been in existence for up to five years. Using stratified random sampling techniques, the sample was selected. A pilot test involving 50 owners of SMEs in the trade and commerce, agriculture, ICT, manufacturing, and service sectors in the south-west region of Nigeria was performed in order to evaluate the reliability of dependent and independent variables. The data preparation processes involve the data entry into a database, data filtering, and finding any missing responses.

In order to analyse the survey data, the logistic approach was adopted (Gebru 2009; Osei-Assibey et al. 2012). In logistic regression analysis, one dependent variable is explicated with the aid of several unbiased variables. More specifically, regression analysis helped us understand how the dependent variable changes when any one of the exogenous variables is varied, even as the other independent variables are held constant. The Statistical Package for Social Sciences (SPSS) version 21.0 was employed.

Results

From both theoretical and empirical points of view, the question of the motivations underlying the choice of mixed sources of finance is still widely debated, with no conclusive solution yet in sight (Brighi and Torluccio 2007). Kochhar (1997) found that the value created from unrelated acquisitions was directly proportional to the amount of debt utilization. The variable quantity is outlined because the modification within the level of the quantitative relation of equity to debt is used as a proportion of the capital structure emergent from stages to the present. This formulation of value is consistent with Mac an Bhaird (2010), who stated that value is determined endogenously by a resource. Additionally, employing this measure of both debt and equity is considered appropriate, as an increase in the amount of both debt and equity employed as a proportion of capital structure is the strategic goal of the majority of SME owners. Enterprises with better outcomes and performance growth prospects could increase their use of both debt and equity.

Data collection indicates that the empiric firms represent small and medium-sized enterprise in six states in Nigeria. Sixty per cent of the observed firms were with assets of more than N50 million. This suggests that most of them represent medium firms. Moreover, from a number of sales, the data indicate that 61% of them hold a sales turnover of less than N100 million, which suggests that the ascertained data comes from small firms. The demographic profile of the respondents is described. From the analysis, 298 respondents are males while 206 are females. Most respondents are men, which further confirm the fact that most of the entrepreneurs are male. A goodness of fit test with regard to gender yielded a chi value ($\chi 2 = 16.794$, df = 1, $p < 0.001$) which was significant. This implies that the gender proportions in the sample, as drawn, differed significantly from the population proportions, which were set at 50% (equal proportions of male and female as expected in the population). Thus, care will be exercised in attempting to generalize the findings of the study, especially for those which gender may be a determinant.

The study equally classified the respondents in terms of their level of educational qualifications because this affects the source of their financing and the management of their enterprises (Bates 2014). The survey revealed that among the male entrepreneurs operating small business, 1 (0.5%) had no formal education, 5 (2.4%) had completed basic primary education, 32 (15.1%) had completed secondary education, 65 (30.7%) had diploma/Nigeria Certificate in Education (NCE), 94 (44.3%) had first degree/Higher National Diploma (HND), 3 (1.4%) had a master's degree, and 12 (5.7%) had PhDs. Among the male entrepreneurs in medium business, 2 (2.3%) had no formal education, 8 (9.3%) had completed basic primary six-level education, 10 (11.6%) had completed secondary education, 21 (24.4%) had diploma/NCE certificate, 40 (46.5%) had a first degree/HND, 3 (3.5%) had a master's degree, and 2 (2.3%) had PhDs. Some of the respondents answered that they did not have the listed qualification levels, but had acquired other types of levels of education (Islamic and traditional). The relevance of this to the study is that the majority in the sample size is learned and has adequate knowledge, judging from their educational qualification, to be able to provide intelligent answers to questions requested of them. Likewise, they would be able to determine the right choice of financing.

Among female entrepreneurs that operate small business venture, 3 (1.9%) had no formal education, 5 (3.2%) had a basic primary education, 28 (17.9%) had completed secondary education, 54 (34.6%) had diploma/NCE certificate, 59 (37.8%) are first degree/HND holders, 3 (1.9%) had a master's degree, and 4 (2.6%) had PhDs. This dispels the belief that women are more educationally disadvantaged, as most of the women are learned and experienced. The table further reveals that among female entrepreneurs within the medium-scale business, 1 (2%) had no formal education, 3 (6%) had completed basic primary education, 5 (10%) had completed secondary education, 16 (32%) had diploma/NCE certificate, 23 (46%) had first degree/HND, 1 (2%) had a master's degree, and 1 (2%) had a PhD.

The experience can be measured by the number of years a person had managed a business. Also, the number of years of experience help in getting and sourcing finance from different options. Among the male small business entrepreneurs, 160 (75.5%) had experience and had been managing a business for a period of 1–5 years, 32 (15.1%) had 6–10 years' experience in running a business, 6 (2.8%) had 11–15 years' experience, 10 (4.7%) had 16–20 years' experience, while 4 (1.9%) had 21 and above years' experience. Among the male medium business entrepreneurs, 70 (81.4%) had experience and had been managing a business for a period of 1–5 years, 10 (11.6%) had 6–10 years' experience in running a business, 2 (2.3%) had 11–15 years' experience, 3 (3.5%) had 16–20 years' experience, while 1 (1.2%) had 21 and above years' experience. Among the female small business entrepreneurs, 98 (62.8%) had experience and had been managing a business for a period of 1–5 years, 22 (14.1%) had 6–10 years' experience in running a business, 10 (6.4%) had 11–15 years' experience, 13 (8.3%) had 16–20 years' experience, while 13 (8.3%) had 21 and above years' experience. Among the female medium business entrepreneurs, 33 (66%) had experience and had been managing a business for a period of 1–5 years, 5 (10.1%) had 6–10 years' experience in running a business, 4 (8%) had 11–15 years' experience, 3 (6%) had 16–20 years' experience, while 5 (10%) had 21 and above years' experience.

For those who answered this question, 190 (89.6%) were male owners and 22 (10.4%) were chief executive officers (CEOs) of the small business, while 78 (90.7%) were male owners and 8 (9.3%) were CEOs of the medium business. This is advantageous, as having more owners will result in a higher level of validity of the information received as they are well versed with all the challenges that go with doing the business since its inception. Likewise, 146 (93.6%) were female owners and 10 (6.4%) were CEOs of the small business, while 44 (88%) were female owners and 6 (12%) were CEOs of the medium business.

Regression Analysis

The regression analysis assisted us to understand how the sources of financing change when any one of the firm-specific characteristic variables is varied. Before using the model, a multicollinearity test was conducted to see if the independent variables were correlated. The variance inflation factor (VIF) values and tolerance statistics (Table 10.1) indicated that there was no collinearity as the VIF values were all well below 10 and the tolerance statistics all well above 0.2. Therefore, it could safely be concluded that there was no collinearity within the data.

A test of the varied measure association of the variable indicated that a full model against a constant-only model was statistically significant, $\chi2$ (df = 5, N = 504) = 62.508, p < 0.000. The model was able to correctly classify 42.4% of entrepreneurs who use debt as a source of financing and 85.0% who make use of equity as a source of financing for firm performance, for an overall success rate of 62.1%. Established on the value of Nagelkerke R^2, that provides an evidence of the variation amount in the dependent variable explained by the model from a minimum value of 0 to a maximum of approximately 1 (Pallant 2013). Nagelkerke R^2 of 0.156 indicates a weak relationship of 15.6% between the predictors and the prediction, but it is the norm in logistic regression (see Table. 10.2). The inferential goodness of fit test was conducted using the Hosmer-Lemeshow (H–L) test that yielded a $\chi2$ (4) = 4.904 and was statistically insignificant (p = 0.297). For the Hosmer-Lemeshow test, the poor fit is indicated by a significant value of less than 0.05, and, therefore, to support the model, the value should be greater than 0.05 (Pallant 2013), indicating that the model was a good fit to the data. Thus, considering the null hypothesis, we fail to reject that there is no distinction in the middle of the observed and model-predicted values (see Table 10.2).

Table 10.1 Test of multicollinearity for entrepreneur-specific characteristics

Model		Unstandardized coefficients		Standardized coefficients			Collinearity statistics	
		B	Std. error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	2.203	0.255		8.651	0.000		
	GEN	0.054	0.055	0.043	0.997	0.319	0.978	1.022
	EDU	−0.228	0.063	−0.157	−3.590	0.000	0.96	1.042
	REL	−0.301	0.092	−0.142	−3.293	0.001	0.984	1.016
	BIZST	0.205	0.052	0.174	3.923	0.000	0.938	1.066
	EXP	0.001	0.054	0.001	0.021	0.984	0.987	1.013

Table 10.2 Logistic regression output for entrepreneur-specific characteristics

Case processing summary

Unweighted cases[a]		N	Per cent
Selected cases	Included in analysis	504	100.0
	Missing cases	0	00.0
	Total	504	100.0
Unselected cases		0	00.0
Total		504	504.0

[a]If weight is in effect, see classification table for the total number of cases

Dependent variable encoding

Original value	Internal value
Debt financing	0
Equity financing	1

Omnibus test of model coefficients

		Chi-square	df	Sig.
Step 1	Step	62.508	5	0.000
	Block	62.508	5	0.000
	Model	62.508	5	0.000

Model summary and Hosmer-Lemeshow test

Step	−2 Log likelihood	Cox & Snell R square	Nagelkerke R square	Chi-square	df	Sig.
1	633.317[a]	0.117	0.156	4.904	4	0.297

[a]Estimation terminated at iteration number 6 because parameter estimates changed by less than .001

Classification table[a]

Observed			Predicted: Sources of financing: Debt financing	Predicted: Sources of financing: Equity financing	Percentage correct
Step 1	Sources of financing	Debt financing	115	156	42.4
		Equity financing	35	198	85.0
Overall percentage					62.1

[a]The cut value is 0.500

Table 10.3 Logistic regression of effects of entrepreneur-specific characteristics on the choice of sources of SME financing

Predictors	B	Wald $\chi 2$	P value	Odds ratio	Decision
GEN	−0.125	0.165	0.684	0.883	Not supported
EDU	3.522	11.396	0.001	33.85	Supported
REL	1.204	4.177	0.041	3.333	Supported
BIZST	−1.262	12.782	0.000	0.283	Supported
EXP	−0.453	2.112	0.046	0.635	Supported
Constant	−7.293	8.616	0.003	0.001	

Table 10.3 shows the logistic regression coefficient, Wald test, and odds ratio/Exp (B) for each of the predictors of education level (EDU) ($p = 0.001$), religion (REL) ($p = 0.041$), business status (BIZST) ($p = 0.001$), and (EXP) ($p = 0.046$) using a 0.05 criterion of statistical significance. Wald is to take the significance values, and if less than the criterion, the null hypothesis is rejected as the variable does make a significant contribution. The output also indicates that gender (GEN) ($p = 0.684$) made a non-significant contribution to the prediction. The non-significant contribution of gender to the prediction is in line with the quantitative method that says gender is not an influencing factor in decision-making concerning sources of financing. This does not agree with (Aterido et al. 2011; Beck et al. 2011), in the case of research, carried out in other developing countries, gender was identified as a factor considered by financiers when making a decision concerning financing a firm. Nevertheless, female gender is found to be disadvantaged in other areas, most especially female participation in the modern market economy, apart from the lower drive in the utilization of external financing.

Discussion

The odds ratio for GEN (0.883) shows that the entrepreneur was more likely to make use of external resources in terms of debt as a source of firm financing that would lead to sustainability and successful outcomes than making use of internal resources. This is not consistent with the research of Rosenbusch et al. (2009) that indicated that women make less use of external financing choice than males. However, the results are in line with Morris et al. (2006) and Robinson and Finley (2007) who do not observe a significant link between the gender and firm success and have tended to conclude that the business owner-manager's gender is not a significant factor in explaining a small and medium firms' financing decision and growth behaviour. Crawford and Unger (2000) and Rosenbusch et al. (2007) posited that females can be required to act in ways similar to males if both have an equal sustained advantage in making the decisions via available and required resources, and the functioning of both genders may eventually result in similar issues.

The implication is that the women with distinctive management approach are ready to ascribe to the risk perception and take initiatives in decision-making using their knowledge and strengthen the connection between organizational capabilities and firm success (Boyer and Blazy 2014; Storey 2011; Gicheva and Link 2013). Likewise, females have been acting in ways similar to males to have an equal sustained advantage in making the decisions via available and required resources, and the functioning of both genders may eventually result in similar issues. More so, the females have sufficient business experience, the financial decision mix knowledge and business expansion high value, hence, they are less vulnerable due to high human capital. Thus, H1 is not supported.

The odds ratio for EDU (33.85) indicates that the entrepreneur was more likely to make use of internal resources than external resources. This is consistent with Mac an Bhaird (2010) who argued that entrepreneurs with higher levels of education stand a better chance of networking as they are able to contact varied sources for information and other resources. This is in line with the organizational capability that says owner-manager efficiency of problem-solving procedures lies in the application and ability to use and apply knowledge and to master innovation as well as the intelligence of markets and demands (Leonard and Sensiper 1998). Likewise, it also found that the education of the entrepreneur has a positive correlation with business success (Mohamed Zabri and Jonathan 2014; Osei-Assibey et al. 2012). Due to wider social and business networks, these entrepreneurs are more aware of a greater range of sources of finance and how to access these sources.

The implication is that SME owner-managers who had degrees generally have sustained advantages and provide an entrepreneur with a greater mental ability to be an innovator, make a decision that would bring successful outcomes, and impact positively because he is able to satisfy the demands of a changing job environment. More so, higher levels of education stand a better chance of networking as they are able to contact varied sources for information and other resources. Thus, H2 is supported.

The odds ratio for REL (3.333) indicates that the entrepreneur was times more likely to make use of internal resources than external resources. This is consistent with the result of Baxamusa and Jalal (2014) who found that increase in religiosity leads to a lower leverage and less frequent debt issuances. Likewise, it shows that financing choices of owner-manager are widely influenced by the religious orientation of the entrepreneur seeking funding (Ahmad and Seet 2009; Khraim 2010) caused by differences in religious affiliations.

The implication is that SME owner-manager behaviour value can be distinguished for organizational capabilities in decision-making and in control of resources and interpersonal relationships. It shows that religious motivation influenced decision-making in financing choices. More so, it indicates the extensive use of religious metaphors in ascriptions of entrepreneurial intents, successes, and failures. Organizational capability can be genteel through organizations' religious values towards the choice of financing. Thus, H3 is supported.

The odds ratio for the business status (BIZST) (0.283) shows that the entrepreneur was times more likely to make use of external resources than internal resources. Organizational capabilities' development and ownership involvement may facilitate firm restructuring and a shift in the mindset of owner-manager towards financing decision and effect strategy in strengthening the firm as it seeks to reach its financial objectives (Ulrich and Lake 1991). This is line with Osei-Assibey et al. (2012) who found that business status in terms of ownership is statistically significant in the future financing model indicating a relationship between determinants and firm's choice of financing. Cassar (2004) pointed out that the lender may perceive incorporation as a good signal that portrays credibility and formality of operations.

The implication is that business status of the organization could affect the debt-equity decisions of entrepreneurs. The shareholders of corporations and limited companies have a limited liability against losses, whereas general partners and owners of sole proprietorships have unlimited liability. Thus, it is opined that commercial enterprises built by multiple owners are likely to rise quickly via strategic decision-making than those made by individuals working alone by relying on important intangible resources that can have an eminence of the breadth of knowledge, skills, and expertise than closely held firms. Likewise, the generation of sustained advantage rests upon the primary motivation of business status of the organization in view of ownership. Thus, H5 is supported.

The odds ratio shows that business owners with prior management experience have a greater possibility of obtaining external financing, EXP (0.635). This conforms with organizational capabilities than competencies (Chaston et al. 2001; Julien and Ramangalahy 2003), and experience of the firm development depends on the abilities of the firm owner-managers to plan for and adapt to the business environment in which they operate. This is consistent with Mac an Bhaird (2010) who opined that experience is greatly important, as it gives time to opportunity identification, networking and entrepreneur will learn how to make use of different financial decisions and to interact with lenders. Business owners with prior management experience are thought to be more likely to form faster-growing businesses than those established by individuals without that experience. It is noted that SME owner-manager with short experience at the start-up phase could have problems remaining financially and resourcefully sound with an increase in expenditure in relation to their net. Anis and Mohamed (2012) have found that owner-managers with experiences are more likely to access bank loan than those who lack the experiences.

The implication is that the level of entrepreneurial competencies and experience enhances sustained advantage and provides an entrepreneur with a greater mental ability to be an innovator because he is able to satisfy the demands of a changing job environment. Thus, H5 is supported.

Conclusion

Entrepreneur-managers are frequently seen as having their own styles when making financing and strategic choices, along these lines engraving their capabilities on the organizations they oversee. This chapter presents owner-manager antecedents in an empirical examination of small and medium-sized enterprise financing decisions. Attributes like gender, the level of education, religion, business status, and the experience of the owner-managers are found to be a significant influence on SMEs' sources of financing. This study has shown that the financial decision of SME owner-managers rely on the gender of the both men and women that have the capability to run business and experience at the same performance successful outcome level. This chapter has shown the fact that SME owners who started their business based on religiosity exhibit a strong tendency to use internal sources before looking for external sources of finance. The increase in religiosity leads to a lower leverage and less frequent debt issuances. Hence, SME entrepreneurs tend to operate at a financial sub-optimal level.

This chapter empirically underpinned on the relationship between business status and financing sources. There seems to be implied risk aversion behaviour of the SME owners that are established as sole proprietorships. To the contrary, with the presence of many intrusions, such as in ownership forms of partnership and companies, there tends to exist financing decision in favour of external sources even if internal sources are not exhaustively used.

Finally, this study has shown that for SME owner-managers, the financial decision relies on the experience, business status, religion, and level of education. That is, experienced SME owners are in a better position to understand the relationship between finance and firm value. Hence, SME owners with lower levels of experience are found to strictly follow the pecking order of adapting to the business environment, exhausting all internal financing source possibilities before going to external finance. On the other hand, SME owners with a higher level of experience have a higher probability of choosing external sources of fund, mainly debt, with the intention of optimizing firm value.

This conclusion has significant implications for financial and other related institutions that have stakes on SMEs. Possibly, SME owners could benefit from finance-related education and training. The conclusion could substantially benefit from further research with respect to the role of finance education and training on the financing of SME owners. The qualitative assessments of culture on the SME sources of financing with respect to the relationship between SMEs' ownership structure and financing sources and the risk-taking behaviour of SME owners could be further researched. The relationships among degree of intrusion, risk diffusion, and risk proclivity could also be further interests of research.

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