

## EFFECT OF ECONOMIC HARDSHIP ON ENTREPRENEURIAL STRESS: A STUDY ENTREPRENEURS IN SOUTH-EAST NIGERIA

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### **Abstract**

*Entrepreneurs have contributed significantly to the development and growth of many nations and have assumed a ubiquitous part of the business ecosystem. It contributes positively to employment generations and has been broadly considered the primary driver of socio-economic development and wealth creation. However, there are indications that the increasing economic downturns have been unfavorable to entrepreneurs. Thus, the purpose of the present paper was to examine the economic hardship as a factor that could explain the variation in entrepreneurial stress. A convenience sample of two hundred and thirteen entrepreneurs pooled from different business hubs in the Enugu and Anambra state of Nigeria participated in the study. The simple regression analysis conducted to test the hypothesis revealed that economic hardship statistically significantly predicted entrepreneurial stress  $F(1,211), 32.61, P < .000$ . Thus, the result affirmed the assumption that economic hardship would significantly predict entrepreneurial stress. In addition, the  $R^2$  showed that economic hardship explained about 46.3% of the variance in entrepreneurial stress. The paper concluded that economic hardship is an essential factor in entrepreneurial stress*

**Keywords:** *Economic hardship, entrepreneurship, entrepreneurial stress, small business*

## BACKGROUND

Over the years, entrepreneurship has assumed a critical component of the business ecosystem across the world. Today, entrepreneurship is creating the avenue for business participation in many societies. The concept of entrepreneurship entails forming a venture to make a profit and create value for humanity. Entrepreneurship is a lifelong learning process that continues over time, mainly through informal and formal learning (Adefunke et al., 2020). Entrepreneurship represents an essential mechanism that contributes significantly to economic development (Bosma et al., 2018; Doran et al., 2018; Galindo-Martín et al., 2020; Hamdan et al., 2020; Huang & Chen, 2021; Ivanović-đukić et al., 2019; Mohammad, 2020; Stoica et al., 2020; Urbano et al., 2019; Zouita, 2021).

Most importantly, entrepreneurship has become a tool for uplifting nations and improving their socio-economic development (Muhhammad et al., 2020). Entrepreneurship and entrepreneurs are considered fundamental drivers of economic growth principally due to their contribution to creating new jobs, new employment opportunities, the emergence of new innovations, and the stimulation of competition and competitiveness. It enhances the growth of micro, small and medium scale enterprises. Thus, entrepreneurship echoes an opportunity for individuals across varying economies that faces a dwindling labor market with substantial unemployment rates (Sambo, 2016). However, entrepreneurship in Nigeria in recent times has been fraught with many challenges primarily occasioned by the dwindling economic situation.

Numerous reports indicate that Nigeria had been battling with the recovery from the 2014 oil price shock before the advent of the deadly coronavirus disease (Ahmet & Rasheed, 2018; Akinlo, 2014; Barisitz & Breitenfellner, 2017; Isah, 2015; Marshal et al., 2020; Nwanna & Eyedayi, 2016; Oyelami & Olomola, 2016; Rasaq & Olatunde, 2017; Soyemi et al., 2019; Uzo-Peters et al., 2018), with the GDP growth pointed around 2.3 percent in 2019. Similarly, the International Monetary Fund (IMF) disclosed the 2020 GDP growth rate from 2.5 percent to 2 percent. Indeed, the assessment was based on fairly low oil prices and insufficient fiscal space. In addition, Nigeria's debt profile assumed a principal concern for development practitioners and policymakers as the most current estimation puts the debt service-to-revenue ratio at 60 percent, which is likely to decline amidst the sharp deterioration in revenue related to the sinking oil prices. These restraining factors degenerated the economic effect of the pandemic and triggered a challenge for positive measures geared toward tackling the present economic hardship in the country.

Economic hardship in this paper is viewed as the inability of an entrepreneur to meet their day-to-day business and personal needs, such as replacing goods, rent, personal, and health care (Rios & Zautra, 2011). Indeed, economic hardship is closely related to poverty. However, it is a complex construct that has been evaluated in many ways beyond conventional poverty, primarily based on income thresholds. Indeed, the concept of economic hardship taps into several distinct dimensions of well-being (Iceland & Bauman, 2007), and it has received considerable research attention over the past few decades. Moreover, the emergence of the deadly coronavirus altered the global economic settings, including Nigeria. The negative economic changes related to the business environment are captured in a reduced inflow of foreign exchange and low financial inflow ensuing from declined import and export of goods and services, lack of patronage accompanying the restrictions imposed on movements, the transformation from physical contact to online business and increased expenses without commensurate income.

Although the restrictions that accompanied the pandemic have been relapsed in many parts of the world, the business ecosystem received the worst hit of the pandemic (Al-Fadly, 2020; Antonescu, 2020; Beglaryan & Shakhmuradyan, 2020; Brown, 2020; Chirume & Kaseke, 2020; Isa & Razak, 2021; Kalemli-Ozcan et al., 2020; Melnyk et al., 2021; Pratamma et al., 2021; Rahmina Suryani et al., 2021). Research suggests that the novel coronavirus seriously impacts business patronage and cash flow (Eze et al., 2021; Iwuoha et al., 2021). Thus, this experience instigated concern for survival and the future direction of the business environment. Accordingly, many small businesses have collapsed, and many more are on the verge of extinction due to the country's prevalence of economic hardship. Most entrepreneurs with inadequate capital outlay are on the brink of economic shock, which is highly unlikely to recover from in the short run. Thus, there are suggestions that the economic hardship could be propelling entrepreneurs to end their business, which negatively impacts their well-being and instigates stress.

### Economic hardship and entrepreneurial stress

Entrepreneurs are generally known for their tendency to obsess over their projects and work directions. They commit more time working to achieve the desired goal while complying with the waves of economic uncertainties. Research on the economics of entrepreneurship primarily assumed that entrepreneurs bear all the stresses and uncertainty associated with their work and are confronted with myriad stressors that negatively impact their survival. For instance, high workload and work intensity, financial problems, and economic uncertainties are top of the entrepreneurs' stress list. There are growing indicators that entrepreneurs have rough times in the post-pandemic period following the economic hardships. Indeed, with the rising cost of goods and services, entrepreneurs are likely to experience difficulty achieving their objectives. Thus, economic hardship inevitably stresses entrepreneurs (Dias et al., 2021; Karadag, 2016; Simón-Moya et al., 2016; Syed & Jalila, 2020), which can make most entrepreneurs vulnerable to loss of hope and intention to quit. Disparate studies have investigated the association between economic hardship and psychological stress among small business practitioners.

There is consensus that increasing levels of economic hardship over time elevate the risk of psychological breakdown and hopelessness. This implies that ongoing economic hardship in Nigeria can be an additive stressor that subjects

entrepreneurs to stress. The primary purpose of the current paper was to examine whether economic hardship can increase or decrease the experience of stress among entrepreneurs.

**Hypothesis:** *Economic hardship would predict entrepreneurial stress.*

**Method**

**Participants**

The population included small business operators in the Enugu and Anambra states of Nigeria. However, the study samples were conveniently selected. Entrepreneurs whose businesses were categorized as small businesses participated in the study. They were approached between February and April 2022 across the major markets and business hubs in the Enugu and Anambra states. Those who consented to participate in the survey were given the consent form. In all, two hundred and twenty-six (226) small business practitioners signed the consent form. They were briefed on the purpose of the study and urged to quit the study anytime they wanted. Accordingly, two hundred and twenty-six questionnaires were distributed to the respondents. The questionnaires were filled out and retrieved on the spot. On observation, only 213 of the questionnaires were appropriately filled, while the remaining 15 copies were either wrongly filled or unreturned.

**Measures**

The instrument for data collection in the study was a structured questionnaire. The questionnaire items were developed from the literature review and designed to ascertain relevant economic hardship and entrepreneurial stress data on a five-point Likert-type scale. The questionnaire was divided into two parts: A and B. Part A contains questions about the perception of economic hardship, while part B contains questions about entrepreneurial stress. A higher score in part A indicates a higher knowledge of economic hardship. Also, a higher score in part B reveals increased entrepreneurial stress. The scale's reliability was ascertained following a pilot study using participants outside the study population, and the Cronbach Alpha 0.81 coefficient was recorded, indicating that the instrument was reliable.

**Result**

A cross-sectional survey was adopted. Data from the two hundred and thirteen respondents were analyzed using the statistical package for social sciences (SPSS Version 23). A simple regression analysis was conducted to test the hypothesis that economic hardship would predict entrepreneurial stress. The study revealed that economic hardship statistically significantly predicted entrepreneurial stress  $F(1,211), 32.61, P<.000$ . Thus, the result affirmed the assumption that economic hardship would significantly predict entrepreneurial stress. In addition, the  $R^2$  showed that the economic hardship explained about 46.3% of the variance in entrepreneurial stress, as shown in the table below.

**Table 1:**

Table showing the simple regression result for economic hardship and entrepreneurial stress.

	B	SEB	$\beta$	t	Sig
Constant	1.93	.046		65.42	.000
Economic hardship	-.84	.057	-.87	-17.61	.000
$R^2$	.463				

Note. B = Unstandardized regression coefficient; SEB = Standardized error of the coefficient;  $\beta$  = Standardized coefficient;  $R^2$  = Coefficient of determination. \* $P<.000$ .

**Discussion**

The current study aimed to examine the variations in entrepreneurial stress among entrepreneurs based on the ongoing economic hardship in Nigeria. Two hundred and thirteen entrepreneurs completed the survey instrument. The simple regression analysis conducted to test the hypothesis revealed that economic hardship statistically significantly predicted entrepreneurial stress  $F(1,211), 32.61, P<.000$ . Most importantly, the result indicated that economic hardship contributed about 46.3% of the variance in entrepreneurial stress. Thus, the result supports the assumption that economic hardship would significantly predict entrepreneurial stress. Although numerous factors may contribute as stressors in entrepreneurship, the present finding provides insight into the role of the dwindling economic conditions on the entrepreneurs. In other words, it means that among other constraining variables in entrepreneurship, economic hardship as a factor positively contributes to the stressors in entrepreneurship. The study's result also means that the stress observed among the small businesses in Nigeria due to increasing inflation and severe economic downturns could be attributable to economic hardship. Accordingly, the present finding is aligned with numerous discoveries that have linked economic hardship with psychological distress (Ayala-Nunes et al., 2018; Fiksenbaum et al., 2017; Koltai & Stuckler, 2020). Thus, distress related to economic stress affects entrepreneurial intention and could trigger a flight approach. Perhaps, evidence indicates that the more stressed out the employees were, the stronger their intention to leave (Siahaan, 2018). This presupposes that entrepreneurs under distress due to economic hardship are more likely to think of abandoning their work. Thus, the observed decline in entrepreneurial ventures increased the rate of youth emigration. The growing insecurities in the southeast region of Nigeria, otherwise known to be an entrepreneurial hub of the country, might be associated with the increasing economic hardship.

## Conclusion

The present study examined the predictive role of economic hardship on entrepreneurial stress among entrepreneurs. The study's main objective was to test the hypotheses and offer empirical evidence concerning economic hardship as an essential driver of the variation in entrepreneurial stress. The empirical results revealed that economic hardship is a principal macroeconomic indicator significantly correlated with entrepreneurial stress. The finding is in accordance with the results obtained by other empirical studies. Thus, it can be concluded that the harsh economic realities in the post-covid-era substantially instigate entrepreneurial stress. Although, other factors could determine entrepreneurial stress that is not considered in the survey. This limitation demonstrates the need for future research to explore other relevant variables that could contribute to entrepreneurial stress among small businesses in the post-pandemic business.

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