Financial Planning In Entrepreneurship Business in Nigeria: Is It So Important?

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Abstract – Every business organisation need to make the best out of their operations, regardless of their current financial position. Financial planning is not only for the wealthy business organisation, but also in life, it is for every business enterprise. An entrepreneurship business without financial planning is not without problems/challenges in the nearest future. This study seeks to capture and highlight the financial planning tools in entrepreneurship Business in Nigeria. It focused on what Entrepreneurship Business is all about 'cum' the nature of planning, the reason for financial planning and its concepts in Entrepreneurship Business. It spells out the importance of financial planning in business. The methodology gives a clear picture on the systematic procedures and methods employed in carrying out this study. Data are presented, analysed and interpreted with the aid of mean, standard error of proportion and Z – statistic. The study is not without findings and recommendations; the findings and recommendations are based on the study. We also suggested areas for further studies, which will be of great benefit to entrepreneurs in Nigeria cum financial homes.

Index Terms – Financial Position, Assets, liabilities, Financial Statements, Ratio Analysis, and Break-even Analysis

I.INTRUDUCTION

An entrepreneurship business whether in developed or developing countries can be classified as micro, small, medium, and large organisation. They are differentiated based on the number of persons employed (Labour force) and total cost (excluding land) of investment. It can be big or small, simple or complex, private or public, whatever, the nature, there are created to provide goods and/or services. It covers all profit oriented economic activities, done by person or group of person for survival. Each government is turning to entrepreneurship business with respect to economic development and problem solvers. It is a general ground for innovation, inventions and employment.

Currently, the entrepreneurship business in Nigeria assist in promoting the growth of the economy, hence policies are put in place at all levels of government to promote the growth and sustenance of entrepreneurship. Business organizations are defined with respect to total cost and labour size; total cost includes working capital but excludes land cost. Micro business is that with total cost of not more than One Million Naira (₦1m) and its labour size not more than ten (10) employees. Business with labour size between 11 and 25 employees and total cost between 1m and 40m Naira is termed small organization; while medium organization has labour force between 26 and 100 employees and its total cost between 40m and 200m Naira. The large organisation has labour size of over 100 employees and a total cost of more than 200m Naira (6).

Business has played a very important role in the social economic development of the country in the past years. It has contributed to Gross Domestic Product (GDP), employment and export. The performance of entrepreneurship business has direct impact on the economic growth. Thus, economic development or under-development is the reflections of the abundance or scarcity of entrepreneurship in any society (7). Business are many in Nigeria, depending on the number of people employed, turnover, local operation, financial strength, the market, managers, the capital involved and location of the business, and are all commercial sector with respect to hotels, fast food and restaurants, etc.

A. Statement of the Problem

With respect to Global Industries Revolution (GIR), there is the need for financial planning. The study investigates some problems that may affect business in Nigeria; if proper financial planning is not affected the following, problems may arise:

- Not having qualified management staff.
- Inadequate planning.
- Lack of financing.
- No commercial link with financial consultants.
- Great changes in the business environment.

B. Aims of the Study

Business without financial planning is bound to face problems in the future, the study seeks to capture and highlight financial planning in Entrepreneurship Business in Nigeria. Without proper financial planning, the business is set for failure. Specifically, the aims of the study are to:

- Highlight the reason for financial planning in Business.
- Identify the financial background of the business.
- Find out if they have adequate staff.
- Recommend measure for continued financial planning system in Business.

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- Find out the level of business financing.
- Find out the degree of no proper planning in business.
- Identify management orientation with respect to business.
- Maximize value of the firm and profit for stakeholders.

C. Hypothesis

Financial planning is a policy control tool in all business; it gives areas of strengths and developments with respect to business Liquidity and profitability.

The following hypotheses were formulated:

- H_o: There are no reasons for financial planning in business.
- H_o: Financial planning is not feasible economically.

D. Scope of Study

The scope of this study is restricted to selected business in Delta State, Nigeria.

E. Limitation of Study

This study is limited to three main cities – Warri, Abraka and Asaba in Delta State, Nigeria. This is done due to the similarity in nature of the towns, cities and states in the country.

II. LITERATURE REVIEW

A.Management Function: Review and Evaluation of Planning

Planning is a fundamental management function that makes businesses attains optimum efficiency and productivity. It set the foundation upon which business organization effort and activities revolve (8). It varies in scope, perspective, and methods, and should be undertaken, for there to be meaningful business progress. It is made up of long and short term; and it establish the objectives, formulation, evaluation, and selection of the policies, strategies, tactics and actions, required to gain the business objectives, of course, it review performance and feedback, then new planning cycle is introduced (9).

As a management function, it involves selection, mission and objectives, and the action to achieve them. It also requires decision making, for the future, from among alternatives (10).

B.Nature of Planning

The nature of planning involves four variables and they are:

- Its contribution to purpose and objective.
- Primacy: - It is very important. Plan to organise staff, motivate and control.
- Pervasiveness: - Planning covers all departments in the organization with respect to set objective.
- Efficiency and Effectiveness: - To ensure there is not money wastage or effort and objectives are achieved.

A process involves rational and decision making approach, recognise problems, evaluate information and develop alternative course of action (1).

C. The Reasons for Financial Planning in Business

Entrepreneurship businesses are involved in planning for the following reasons:

- To facilitate Control: -Enable measurement of actual performance against standard and expected performance; and of course, evaluate it.
- To provide direction for the business: - Because of diverse nature of staff in the business, there is need to harmonize with respect to organization's direction.
- To attain Economic Operation: - Business is to solve problem, thus exploit opportunities and maximize time and resources; which pears to efficiency.
- To offset uncertainty and prepare for change: - As it gives confidence to business managers

D. The Concept of Financial Planning in Business

Financial planning is a subset of the corporate planning process. It is a known rule that, planning contributes to business, higher profits, improved decision-making, reduces mistakes. It improves aim but do not guarantee accuracy. It is often amended to reflect changes in business environment at any time. It may affect a business's future financial structure, 'cum' its sources and application of funds. Businesses need to understand how funds flows using series of funds. Financial projections can be achieved using the following techniques:

- The Cash Budgets: - It works well with the accuracy of sales forecast and assumptions adopted. It is a good financial management tool. It projects timing and amount of cash balance.
- The Percentage of Sale Method: - It makes protection of sales, income and assets, with respect to production and marketing strategies (11).

E.Performa Income Statement in Financial Planning

This statement of income looked at revenue and expenses projections for future periods. It is used for:

- Monitoring and Control.
- Wages negotiation.
- Ensuring compliance with indenture agreement.

It provides important budget for operating a business all through the year.

F.Financial Planning Control Models

There are basically, two control models in financial planning. These are - Break-Even Analysis and Cost Volume Profit Models.

The break-even analysis model is a model use for planning profits. It gives the points where sales revenue wipes the total cost of operations. It links the total cost (TC), total revenue (TR) and total profit (TP). It is use for pricing and sales volume decisions, with respect to specific profit; helps in decision as it affects the cost structure and capacity utilization of the business; and calculate the margin of safety for profit in the business budget. While the cost volume profit (CVP) model gives the level of sales, at which a business operates at a profit.

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G. Steps of Planning System

Business entrepreneurs are to be aware of opportunities within and outside the business environment. The following steps are involved for planning systems:

- To set objectives and goals.
- To consider planning premises.
- To identify all alternative.
- To compare alternatives with respect to goods sought.
- To choose an alternative.
- To formulate supporting plans.
- To number plans by making budget

H. Problems of Businesses in Nigeria

Entrepreneurs are faced with numerous problems in Nigeria, thus affecting the growth of the economic. (3). these are:

- Lack of work force.
- Lack of financial resources.
- Lack of financial discipline.
- Lack of policies implementation.
- Lack of management practices and entrepreneur skills.
- Lack of business ideas.
- Use of obsolete business method.
- Difficulties in regulatory and operational environment.

I. Importance of Financial Planning in Business

Financial planning is a proper tool of management that helps businesses to manage income more efficiently. It is therefore importance for every business (2) with respect to:

- Increase in income.
- Increase in cash flow.
- Improvement in long-term capital and financial future.
- Improve and evaluate best investment opportunities.
- Assets accumulation and liability cancellation.

III. METHODOLOGY

The study adopted a detail plan and strategy on how to find solution to the question, is financial planning so important in Entrepreneurship business. It deals with the various methods and procedures by the study in the course (5), and a systematic analysis is used to carry out the study (12).

The study was conducted in three cities of Warri, Abraka and Asaba of Delta State, Nigeria. The research population is the micro, small, medium and large organizations in the three metropolitan cities that are estimated to be about 30,000 entrepreneurs. A sample size of 750 organizations was selected.

Non-probability and convenience sampling technique was used to select respondents from the commercial streets and made of the three cities. This was complemented by secondary data gathered. 700 Questionnaires were administered on the respondents which were supported by oral interviews, with 640 response received. The data gathered was analyzed using percentage, mean, standard error of proportion and *Z* – statistic to test for the validity of the raised hypothesis. The sample size is factorized by 20 (twenty).

IV. DATA ANALYSIS

Data are gathered through questionnaires and personal interview, and these are presented, analyzed and their implications discussed and inferences were drawn from the test of hypotheses. Percentages were used to present the data with respect to financial planning as it relates to reasons and feasibility. Hypotheses are educated guess subject to empirical or statistical testing (4).

Table I: Reasons for Financial Planning in Business.

Option	*Score*	*Percentage*	*Weight*	*Weight Score*
Yes	400	63% (0.62)	2	1.26
No	240	37%(0.37)	1	0.37

Source: Field Survey (2017)

$$\text{Mean Score} = \frac{\varepsilon X}{n}$$

$$= \frac{1.26 + 0.37}{2}$$

$$= 0.815$$

Ho: $\pi < 0.5$, $\pi > 0.5$ (one-tail test)

Level of Significance: 5%

$$Z = \frac{M-n}{Sp}$$

Where M = Mean Score = 0.815

π = Hypothetical proportion = 0.5

Sp = Standard error of a proportion

$$Sp = \sqrt{\frac{Pq}{n}}$$

Where P = Sample proportion of success = 0.5

q = 1 – P = 1 – 0.5

and n = sample size = 640

∴ N = 32

$$Sp = \sqrt{\frac{0.5 \times 0.5}{32}}$$

$$Z = \frac{0.815 - 0.5}{0.0884}$$

$$= 3.56$$

With z = 3.56 greater than the critical value of 1.65 at the 5% level of significance. We reject the null hypothesis and accept the alternative, that there are convincing reasons for carrying out financial planning in business.

Table II: Economical feasible of Financial Planning in Business.

Option	*Score*	*Percentage*	*Weight*	*Weight Score*
Yes	520	81% (0.81)	2	1.62
No	120	19%(0.19)	1	0.19

Source: Field Survey (2017)

$$\text{Mean Score} = \frac{\varepsilon X}{n}$$

$$= \frac{1.62 + 0.19}{2}$$

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= 0.905

Ho: $\pi < 0.5$, H_1: $\pi > 0.5$ (one-tail test)

Level of Significance: 5%

$$Sp = \sqrt{\frac{Pq}{n}}$$

$$= \sqrt{\frac{0.5 \times 0.5}{32}}$$

= 0.0884

$$Z = \frac{0.905 - 0.5}{0.0884}$$

= 4.58

For Z = 4.58 greater than the Critical value of 1.65 at 5% level of significance. We reject the null and accept the alternative, that financial planning of business is economically feasible.

V. FINDINGS

The analysis of data and the findings from the study revealed the following:

- That there are reasons for financial planning system in the business.
- Financial planning is so important as it relates to the growth and sustenance of the business.
- Good financial planning gives room for business to operate best.
- Business is well managed with financial planning.
- Entrepreneurship business most times do not benefit from government schemes.

VI. CONCLUSION AND RECOMMENDATION

The study is concerned with the importance of financial planning in business as a means of survival and growth. Financial planning is a useful tool in weighing the success of business with respect to proper management, efficiency, productivity, marketing and profitability.

With the recommendation given in this study, business can improve greatly, if accepted and used:

- To consider qualitative factors like location of business with respect to financial planning system.
- To avoid limiting factors like no proper implementation of financial policies, poor marketing strategies in areas of sales target, to sustain profit and production for business.
- There should be link between financial homes and entrepreneurship business with respect to accessing fund for the business.
- There should easy access to credit loan through government intervention.
- Apart for granting tax holidays to business by government, they should create more scheme like:
  - Trust fund Model (TFM).
  - Create a conducive environment to operate.
  - Self-help group linkage banking program.
  - Interest drawback programme (IDP).
  - Nigeria Agriculture Insurance Company (NAIC).
- There should be care and practices to sustain business financial planning and control system; through proper financing of business, to oppose limiting factors, implement financial policies, etc.

VII. SUGGESTION FOR FURTHER STUDY

Entrepreneurship business is the most favoured in recent times, as it affects both academics and non-academics; and financing is critical to it. As such further study is required in the following:

- The provision of finance in Entrepreneurship business.
- The relationship between financial homes and entrepreneurship business.
- The link between Entrepreneurship and finance.

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