VENTURE CAPITAL AND RURAL ENTREPRENEURSHIP: EVIDENCE FROM NIGERIA

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Abstract

Rural entrepreneurship plays a pivotal role in the economic development of a country. Plausibly, this makes rural entrepreneurs to take continuous interest in venture capital financing which also provides professional support required for rural entrepreneurs to attain their fullest economic latent. This article examined the role of venture capital (VC) in supporting rural entrepreneurs in Nigeria. The survey research design and quantitative approach were adopted for the primary data, obtained through a valid research instrument. 574 copies of the questionnaire were distributed among the sampled rural entrepreneurs across the six geo-political zones in Nigeria and 396 copies of the questionnaire were returned. The descriptive and inferential statistics were used to analyse the data collected. The results show that venture capitals exist in the rural regions of Nigeria however, rural entrepreneurs are largely unaware of their capabilities in bridging the entrepreneurial venture financing gap. Findings also note that venture capitalists are not motivated to finance rural entrepreneurial ventures in Nigeria due to their uncertainty. Since VC is one of the most vibrant long-term and useful financing option for innovative rural entrepreneurship growth, the practical implication is that the Nigerian government policy response to rural equity capital gap should be motivating.

Keywords: Financing, Rural entrepreneurship, Venture capital, Rural entrepreneurs, Nigeria, Entrepreneurial ventures.

Entrepreneurial ventures occupy a central position in national and international economic development. That is, they are catalytic agents in the development process of the economy – as these ventures create innovative ideas, productivity, employment initiatives and self-reliance (SBA Report, 2000). In the same vein, Nigeria has long recognised the contribution of growth-oriented entrepreneurial ventures and small businesses in poverty reduction, generating income through exportations, employment creation, generating wealth, improved government revenue, private sector expansion and contribute substantially to national economy (Oma-William, 2003; Okpala, 2012).
Upon the recognition that growth-oriented entrepreneurial ventures and small businesses are seen as the strategic engines through which the general economic development of any country can be achieved, there are several factors that hinder their establishment, growth, performance, decline and closure (Storey, 2016; Pratt, 2001; Benzing, Chu, & McGee, 2007). For example, lack of the ability to raise capital has been a major threat facing most of these growth-oriented entrepreneurial ventures in starting or growing as businesses, particularly the rural entrepreneurial ventures (McDaniel, 2002; Psaltopoulos, Stathopoulou, & Skuras, 2005). Nonetheless, much of the prolific research on entrepreneurship has concentrated on general entrepreneurship (Boohene & Agyapong; 2017; Moyes, 2010; Miljkovic, Bilali & Berjan, 2010) and urban activities (Boohene & Agyapong; 2017). While the few formal research studies on rural entrepreneurship in Africa, however, focused on rural employment generation, (Tellegen 1993 in Boohene & Agyapong; 2017), barriers facing rural entrepreneurs (Boateng, Bampoe & Boateng, 2014), challenges (Gorora & Mago, 2013), environment (Katongole, Mulira & Ahebwa, 2014), community-level activities (Linna, 2013) and rural entrepreneurship in African countries (Boohene & Agyapong; 2017). To date, there is lack of empirical data to justify the reasons why most rural entrepreneurs have difficulty in acquiring venture capital for starting or growing their businesses [Barkley, 2003; McDaniel, 2002; Rubel & Palladino, 2000; Freshwater *et al*.; Florida and Kenney, 1988), particularly in Nigeria. This creates the research gap for this study.

Meanwhile, it has often been argued that venture capital (VC) has clearly played a vital role in high technology entrepreneurship, not only as a source of finance but also as a source of professional support (Florida & Kenney 1988). However, relating this assessment to the Nigerian situation raises a number of questions, especially with respect to the implications of venture capital as a significant vehicle for promoting capital financing and also as a source of professional support for both start-up and existing rural entrepreneurs in Nigeria in order for them to reach their fullest economic potential. Are there really venture capital institutions in Nigeria? And, if yes, what are the roles of the Nigerian government in providing an enabling environment (such as social and economic infrastructure) for venture capital to promote rural entrepreneurs in Nigeria? Do rural entrepreneurs in Nigeria know whether venture capital, as a financing option, exists? And finally, to what extent are, other the financial options (i.e., formal financial institutions), available to rural entrepreneurs in Nigeria, practically obtainable to support their operations? These theoretical questions bring to the fore, the need to examine the in-depth role of venture capital in supporting rural entrepreneurs in Nigeria. Therefore, the main aim of this study is to investigate the role of venture capital in supporting rural entrepreneurs in Nigeria.

Literature Review

Evaluation of Venture Capital and Rural Entrepreneurship

The account of rural entrepreneurship began to have a prominent place in the small business management and entrepreneurship literature in the 1980s (Wortman, 1990). The studies by Moyes (2010) and Miljkovic, Bilali, & Berjan (2010) reveal that rural entrepreneurship studies are actually few in the literature on entrepreneurship. They further contend that studies on rural entrepreneurship represents less than 30% as at the time they embarked on their studies, compared to the abundant studies in the literature on entrepreneurship at that same period. Rural entrepreneurship is defined as "creating new employment opportunities in rural areas, through the generation of new entrepreneurial ventures" (Stathopoulos, Psaltopoulos & Skuras, 2004). Stathopoulos *et al.* (2004) also maintained that a rural entrepreneur could be perceived as an individual living in a rural neighbourhood, while the dissimilarity between him/her and an urban entrepreneur could be found on the effect of the entrepreneurial process. Miljkovic *et al.* (2010) have asserted that 'rural entrepreneurship' is not restricted to agriculture but is also extended to related activities, such as food processing, covering a myriad of other activities (namely, industrial activities).

The major problems that bedevil the survival, growth, and optimal performance of the rural entrepreneurs are; non-availability of financing options Psaltopoulos *et al.* (2005), rural banks placing relatively little emphasis on lending to rural entrepreneurs, in the conviction that rural businesses have higher risk profiles (Wortman, 1996), lack of infrastructural facilities; severe competition from large-sized organisations and urban entrepreneurs; management incompetence and low entrepreneurial skill; exploitations from middlemen; challenges of legal formalities; lack of knowledge of information technology; challenges of procurement of raw materials; over-bearing regulatory and unfavourable operational environment; poor quality of products; and lack of attention and support for rural entrepreneurs by Government authorities (Sandeep, 2012).

Nonetheless, rural entrepreneurship still plays a pivotal role in the economic development of a country in the following ways: rural entrepreneurship creates wealth; facilitates poverty reduction; promotes restoration of a proper balance between urban and rural migration; reduces crime rate; improves the standard of living and the literacy rate of rural people; accelerates rural development; encourages job creation and capital formation (Hamisu 2010; Sandeep, 2012).

Meanwhile, venture capital (VC) has been generally acknowledged to date back to the turn of the twentieth century. Venture capital has continued to gain acceptance from both start-up entrepreneurs and the existing ones, not only because it provides entrepreneurs with working capitals but also because it provides them with intellectual capital, such as participating fully in the management of these enterprises, which are not available with the conventional financing establishments, such as commercial banks or leasing firms (Pandey, 2005; Okpala, 2012). For Pandey (2005), venture capital can be explained as “a source of finance for early-stage enterprises, for start-up and young enterprises seeking to grow rapidly”. Pandey (2005) further contends that, venture capital is an outstanding innovation of the twentieth century that guarantees the support of a venture capitalist in the management of the client enterprises.

However, Okpala, (2012), and Adawo and Atan (2013) note that, “the difference between conventional form of financing and venture capital is that the latter involves equity participation, long-term investment, and participation in management, which gives room for the venture capitalist to protect his capital in the entrepreneur business by also providing a source of professional support that the entrepreneur needs to reach his fullest economic potential.” Venture capital however, plays a vital role in the process of financing modern-day business, high technology and risky ventures (Wortman, 1996; Henderson, 2002b; Pandey, 2005). According to Psaltopoulos *et al.* (2005), venture capital, as a financing option, can meaningfully affect the extent of innovation and productivity of both start-up entrepreneurs and existing ones when they face competition from other firms in the product market. It also noted that most entrepreneurial firms have continued to seek for VC financing is because conventional banks are said to be conservative in their lending practices, placing comparatively little importance on lending to entrepreneurs (Wortman, 1996). Wortman (1996) however, also points out that, venture capital, as a source of funds for entrepreneurs, is very difficult to obtain. The reason for this, as stressed by Pandey (2005), is that venture capital is risky.

From above literature review, there is no gainsaying the fact that entrepreneurs, who start, or want to start, business in rural areas, face the challenge of non-availability of financing options required for growth and sustainability, because debt financing from the conventional financial institutions, such as banks, are very costly. Therefore, venture capital (VC) a non-bank source of funds and equity financing, is said to be a significant alternative financing for entrepreneurs, especially rural entrepreneurs (Ambrose, 2012). Venture capital also provides credibility and legitimacy to its portfolio organisations (Manigart, Baeyens & Verschueren, 2003). Despite the foregoing significant contributions from venture capital, it is important to re-state that Wortman (1996) contends that, entrepreneurs in rural areas often find it very difficult to obtain equity financing through venture capital to start or grow their businesses, leaving rural entrepreneurs at a distinct disadvantage.

Research Methodology

The study employed survey research design and quantitative approach to examine the link between venture capital and rural entrepreneurship in Nigeria. The views of rural entrepreneurs/managers were purposefully sampled from registered SMEs within the following sectoral groups (manufacturing, trade, construction, agriculture, services, computer & office equipment, hotel & restaurant, transport & storage, wholesale & retailing, and others) of the South-east, South-west, South-south, North-central, North-east, and North-west geo-political zones of Nigeria. The Krejcie and Morgan's (31) Table was used as a guide to draw a sample size of 574 respondents. Meanwhile, a minimum of 50 Small and Medium Enterprises (SMEs) from each of the six geopolitical zones in Nigeria were included at least, in the sample for the purpose of avoiding regional bias. The sampling frame was drawn from SME institutions in Nigeria, such as SMEDAN, NASME, MAN, ANE, NASSI, and NACCIMA. In order to avoid selection and representativeness bias, the study adopted both cluster and purposive sampling techniques.

The research instrument, titled "Venture Capital and Rural Entrepreneurship Questionnaire (VCREQ)", was used to gather data for the study. The instrument was divided into two parts; Section A describes respondents' background, such as age, sector of operation, age of organization, and educational background. Section B comprised 20 items. The statements constructed are in line with the variables of the research questions, with Likert-type options of Strongly Agree, Agree, Disagree and Strongly Disagree. Five hundred and seventy-four (574) copies of the questionnaire were administered and 396 were returned, representing a 69.0 percent response rate **(**see Table 1, below**)**. A test–retest method was adopted for the purpose of testing the reliability of the instrument for this study. A correlation coefficient of 0.82 was obtained through the use of split-half reliability method, which showed that the instrument had a strong reliability.

Table 1: Rural Entrepreneurs Sampled Across the Six Geo-Political Zone in Nigeria

Region	Copies of Questionnaire Administered	Copies of Questionnaire Returned	Percentage of Returns
North-Central	96	52	20.8
North-West	75	45	15.5
North-East	62	33	12.5
South-West	128	102	1.4
South-East	108	83	20.8
South-South	105	81	15
Total	574	396	100

Source: Field Survey, 2017

Findings

Table 2: Respondents' Demographic Variables

Variable	Value Label	Respondents (%)	Total
Gender	Male	278(70.2)	396(100%)
	Female	118(29.8)	
Age	30 years and below	160(40.4)	396(100%)
	31-40 years	172(43.4)	
	41-50 years	52(13.1)	
	51-60 years	12(3.0)	
Sectoral Group	Manufacturing	29(7.3)	396(100%)
	Trading	93(23.5)	
	Construction	9(2.3)	
	Transport & Storage	16(4.1)	
	Agriculture	98(24.8)	
	Service	31(7.8)	
	Hotel & Restaurant	22(5.6)	
	Wholesales & Retailing	65(16.5)	
	Computer & Office Equip.	11(2.8)	
	Others	21(5.3)	
Age of Organisation	1- 5 years	214(54.0)	396(100%)
	5-10 years	81(20.5)	
	11-15 years	48(12.1)	
	16-20 years	25(6.3)	
	More than 20 years	28(7.1)	
Education	Post-Graduation	76(19.2)	396(100%)
	Degree	253(63.9)	
	Diploma	8(2.0)	
	Certificate	55(13.9)	
	Others	4(1.0)	

Source: Field Survey, 2017

The descriptive data analysis shows that the majority of the respondents were male (70.2%), while only (29.8%) of the respondents were female. The above Table shows that the survey for this study has been gender-sensitive. Therefore, data collected through such a survey can be considered comprehensive and reliable. The optimum age of the respondents is between 30 and 40 years (43.7%). The Table shows that the survey has adequately covered rural entrepreneurs from a wide range of industries in which they operate. The Table, however, shows that 7.3% of the respondents are into manufacturing, 23.5% are into trading, 2.3% are into construction, 4.1% are into transport and storage, 24.8% are into agriculture, 16.5% are into wholesales and retailing, 7.8% are into services, 2.8% are into computer and office equipment, 2.8% are into hotel and restaurants, while 5.3% are into other sectors. The predominance of rural entrepreneurs in the agriculture industry can be attributed to the relatively low capital requirement.

The descriptive analysis also shows that 54.0% of the respondents have been in operation for between 1 and 5 years, 20.5% have been in operation for 6-10 years, 12.1 % have been in operation for 11-15 years, 6.3% have been in operation for 16-20 years, and 7.1% have been in operation for more than 20 years. This result indicates that rural entrepreneurs in this study have relevant business experience to be able to provide data on venture capital and rural entrepreneurship development in Nigeria. The Table also shows that the respondents are all sufficiently educated to be able to respond adequately to the questions posed in the questionnaires.

Table 3: Perception on Reasons for not Using Venture Capital

S/N	Reasons for not using Venture Capital	SA	SA %	A NO	A %	UN NO	UN %	D NO	D %	SD NO	SD %	TOTAL	%
1.	I have no prior information relating to the existence of venture capital (VC) and its operations	139	35.1	119	30.1	39	9.8	82	20.7	17	4.3	396	100
2.	Venture capital is not available to rural entrepreneurs in this country	74	18.7	145	36.6	98	24.7	51	12.9	28	7.1	396	100
3.	The lack of cheap and long-term capital are major factors affecting development of rural entrepreneurship in Nigeria	154	38.9	132	33.4	38	9.6	39	9.8	33	8.3	396	100
4.	I lack adequate knowledge in preparing business proposal required by venture capitalists for consideration	83	21.0	163	41.2	24	6.1	88	22.2	38	9.6	396	100

Source: Field Survey, 2017

Table 3 presents the results on reasons why rural entrepreneurs in Nigeria do not use venture capital financing. A five-point scale (1- strongly disagree and 5 - strongly agree) was used in measuring these responses. The findings relating to the distribution on reasons for not using venture capital, as presented in Table 3, rows 1 and 2, reveal that venture capital exists in the rural areas of Nigeria but the majority of the rural entrepreneurs in Nigeria are not aware of the existence of venture capitalists and how they operate. According to the responses in Table 3, row 1, it was revealed that 82 (20.7%) and 17(4.3%) of the rural entrepreneurs in Nigeria disagreed and strongly disagreed with the statement that says “I have no prior information about existence and operations of venture capitalist (VC)”.

Table 3, row 2, also reveals that 51 (12.9%) and 28 (7.1%) of the rural entrepreneurs in Nigeria respectively disagreed and strongly disagreed with the statement that says "Venture capital is not available to rural entrepreneurs in this country", which further explains that venture capital exists in the rural areas of Nigeria but that the majority of the rural entrepreneurs in Nigeria are not aware of the existence of venture capitalists and how they operate. The finding relating to the distribution on reasons why rural entrepreneurs in Nigeria do not use venture capital financing, as presented in Table 3, row 3, indicates that most of the rural entrepreneurs strongly agree (38.9%) that insufficient cheap and long-term capital is a major factor affecting development of rural entrepreneurship in Nigeria. The finding relating to the distribution on reasons why rural entrepreneurs in Nigeria do not use venture capital financing, as presented in Table 3, row 4, shows that the majority of the rural entrepreneurs agree (41.2%) that they have no knowledge of preparing an investment proposal a firm must present to venture capitalists for consideration.

Table 4: Perception of Respondents on Barriers to Rural Entrepreneurship Development

S/N	Barriers to Rural Entrepreneurship Development	SA	SA %	A NO	A %	UN NO	UN %	D NO	D %	SD NO	SD %	TOTAL	%
1.	Technology assistance will help rural entrepreneurs in their business operations	225	56.8	125	31.6	25	6.3	8	2.0	13	3.3	396	100
2.	Inadequate research and development are major problems for rural businesses in this country	192	48.5	151	38.1	32	8.1	21	5.3	-	-	396	100
3.	There is need for education and training for rural entrepreneurship	227	57.3	128	32.3	12	3.0	8	2.0	21	5.3	396	100
4.	Availability of skills will aid rural entrepreneurship development	219	55.3	148	37.4	4	1.0	-	-	25	6.3	396	100
5.	Poor online access is an impediment to business growth	150	37.9	180	45.5	28	7.1	25	6.3	13	3.3	396	100
6	Taxation and financial matters of my business are impediments to my business growth	72	18.2	155	39.1	85	21.5	68	17.2	16	4.0	396	100
7	Inadequate market demand is an impediment to business growth	70	17.7	157	39.6	57	14.4	91	23.0	21	5.3	396	100
8	Better legislation and regulation by government will improve rural entrepreneurship in the country	159	40.2	169	42.7	48	12.1	16	4.0	4	1.0	396	100
9	Irregular power supply is a major challenge for business ventures in this country	280	70.7	83	21.0	4	1.0	8	2.0	21	5.3	396	100
10	A major hindrance for businesses in Nigeria is bad roads	197	49.7	148	37.4	18	4.5	28	7.1	5	1.3	396	100
11	Inadequate telecommunication system is an obstacle to business success	118	29.8	177	44.7	54	13.6	38	9.6	9	2.3	396	100

Source: Field Survey, 2017

Table 4 presents the results on barriers to rural entrepreneurship development in Nigeria. A five-point scale (1- strongly disagree and 5 - strongly agree) was used to measure these responses. The perception of the respondents shows that 56.8% (225) strongly agree that technology assistance will help rural entrepreneurs in their business operations, if it is easy to acquire a telephone; 48.5% (192) of the respondents strongly agree that inadequate research and development are major problems for rural businesses in Nigeria; and that 57.3% (227) of the respondents strongly agree that there is need for education and training for rural entrepreneurship.

The perception of the respondents also shows that majority of rural entrepreneurs/managers strongly agree that availability of skills will aid rural entrepreneurship development; and that 37.9% and 45.5% of the respondents strongly agree and agree, respectively, that poor online access is an impediment to business growth. The analysis also shows that 18.2% and 39.1% of respondents strongly agree and agree, respectively, that taxation and financial matters of their business are impediments to their businesses, while 39.6% of the respondents agree that inadequate market demand is an impediment to business growth; and 42.7% of the respondents agree that better legislation and regulation by government will improve rural entrepreneurship in Nigeria. As depicted in Table 4, 70.7% of the respondents strongly agree that erratic power supply poses a problem for business in Nigeria, while 49.7% of the respondents strongly agree that bad roads are a major obstacle for businesses in Nigeria. Finally, the results reveal that 29.8% and 44.7% of respondents strongly agree and agree, respectively, that poor telecommunication system is an impediment to business growth.

Table 5: Reasons for not Using Bank Loans by Respondents

S/N	Reasons for not using Bank Loans	SA	SA %	A NO	A %	UN NO	UN %	D NO	D %	SD NO	SD %	TOTAL	%
1.	It is hard to get a bank loan in this country	128	32.3	191	48.2	28	7.1	24	6.1	25	6.3	396	100
2.	High credit risk impedes lending by banks to rural entrepreneurs	121	30.6	200	50.5	42	10.6	20	5.1	13	3.3	396	100
3.	Low expected profit margin hinders lending by banks to rural entrepreneurs	90	22.7	197	49.7	63	15.9	33	8.3	13	3.3	396	100
4.	Unavailability of collateral impedes lending by banks to rural entrepreneurs	142	35.9	173	43.7	47	11.9	26	6.6	8	2.0	396	100
5.	Constraints on banks hinder lending to rural entrepreneurs in this country	133	33.6	147	37.1	63	15.9	33	8.3	20	5.1	396	100

Source: Field Survey, 2017

Table 5 presents the results on reasons why rural entrepreneurs in Nigeria do not use bank loans. A five-point scale (1- strongly disagree and 5 - strongly agree) was used in measuring these responses. The respondents' perception shows that the majority of the rural entrepreneurs in Nigeria do not use bank loans. The responses in Table 5 reveal that 128 (32.3%) and 191(48.2%) of the respondents strongly agree and agree, respectively, that it is difficult for them to get a bank loan and 121 (30.6%) and 200(50.5%) of the respondents strongly agree and agree, respectively, that high credit risk impedes lending by banks to rural entrepreneurs in Nigeria. In addition, the respondents' perception also shows that 49.7% of the respondents agree that low expected profit margin hinders lending by banks to rural entrepreneurs in Nigeria, while 35.9% and 43.7% of the respondents strongly agree and agree, respectively, that unavailability of collateral impedes lending by banks to rural entrepreneurs. Furthermore, the respondents' perception shows that 33.6% and 37.1% strongly agree and agree, respectively, that constraints on banks hinder lending to rural entrepreneurs in Nigeria.

Table 6: Perception of respondents on the use of sources of funds

Sources of Funds	**Min**	**Max**	**Mean**	**Std. Deviation**
Personal savings	1.00	5.00	3.694	1.472
Friends/relatives	1.00	5.00	2.368	1.161
Sales of fixed assets	1.00	5.00	2.048	1.107
Owner investment	1.00	5.00	3.525	1.324
Plough-back profits	1.00	5.00	3.326	1.222
Banks	1.00	5.00	2.722	1.509
Microfinance institutions	1.00	5.00	1.638	1.018
Lease and hire	1.00	5.00	1.823	1.151
Venture capital	1.00	5.00	2.123	1.367

Source: Field Survey, 2017

Table 6 presents the results on the use of sources of funds by the rural entrepreneurs in Nigeria. A five-point scale (1- never, 2- rarely, 3- sometimes, 4- frequently and 5- usually) was used to measure these responses. The perception of the respondents shows that the majority of the respondents agreed that they frequently use personal saving and owner investment fund as their sources of funding with mean scores of (3.694) and (3.525), respectively. The perception of the respondents also shows that the majority of the respondents agreed that they sometimes use the following sources of funding: plough back profits and banks with mean scores of (3.326) and (2.722), respectively; and that the majority of the respondents agreed that they rarely source for fund from friends/relatives, sales of fixed assets, microfinance institutions, lease and hire and venture capital with mean scores of (2.368), (2.048), (1.638), (1.823) and (2.123), respectively.

To further verify these findings stated above, the linear regression analysis was carried out to determine the strength of relationship between venture capital activities and rural entrepreneurship in Nigeria. This tool is appropriate for analysing the combined effects of independent variables on dependent variables (McMillan and Schumacher, 2001).

Table 7: Linear Regression Analysis

Model Summary		R	R Square	Adjusted R Square	Std. Error of the Estimate	
1		.870[a]	.758	.757	.50409	
ANOVA		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	313.175	1	313.175	1232.452	.000[b]
	Residual	100.118	394	.254		
	Total	413.293	395			
Coefficients		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.566	.083		18.852	.000
	Venture Capital	.717	.020	.870	35.106	.000

a. Dependent Variable: Rural Entrepreneurship
b. Predictors: (Constant), Venture Capital
Source: Field Survey, 2017

Table 7 above presents the results of the linear regression analysis for all the venture capital variables as predictors of rural entrepreneurship development. The results in Table 7, however, demonstrated that, there is positive statistical significant relationship between venture capital activities and rural entrepreneurship development in Nigeria (R=0.870, p< 0.000). R-Square (0.758) exhibited that the model revealed 75.8 percent (%) of the changes in rural entrepreneurship as supported with the adjusted R-squared result (0.757) that is, 75.7 percent. The F-statistic shows significance of model with the value of 1232.452 and significant at 1 percent level. The F-statistic (1232.452) was confirmed to be beyond its critical value with significance level less than 1 percent which suggests the probability of the occurrence of type 1 error in 100 repeated tests. Thus, the statistics affirmed that all the variables play substantial role in clarifying the impact of venture capital activities and rural entrepreneurship in Nigeria.
The coefficients value shows a significant relationship between venture capital activities and rural entrepreneurship with significant level of 0.000, which discloses that

venture capital activities has a meaningful spur on rural entrepreneurship development. Thus, venture capital played a significantly role in supporting rural entrepreneurs in Nigeria and was appropriate for the model and the result could be depend on for recommendations as offered in this study. In addition, the result was in accordance with Heard and Sibert (2000); (Gomper & Lerner, 2001); Rothenbush (2005); Ogujiuba, Ohuche, and Adenuga (2004); and Obitayo, (2001) which reported that venture capital, is a strategic component for entrepreneurial ventures growth since it induces entrepreneurial activity.

Table 8: Pearson Correlations

		Venture Capital	Rural Entrepreneurship
Venture Capital	Pearson Correlation	1	.870**
	Sig. (2-tailed)		.000
	N	396	396
Rural Entrepreneurship	Pearson Correlation	.870**	1
	Sig. (2-tailed)	.000	
	N	396	396

**. Correlation is significant at the 0.01 level (2-tailed).
Source: Field Survey, 2017

Similarly, the correlation as computed in Table 8 by the authors affirm that Pearson correlation coefficient of 0.870** and p value of 0.000 implies that there is a significant positive relationship between venture capital and rural entrepreneurship in Nigeria since p-value (0.000) is less than 0.01. In comply with the statistic above, venture capital is very fundamental in lessening the challenges of non-availability of required capital for the growth of rural entrepreneurial activities and also provide the necessary management skills for rural entrepreneurs in Nigeria.

Discussions and Conclusions

The results showed that that venture capital exists in the rural areas of Nigeria but the majority of the rural entrepreneurs in Nigeria are not aware of the existence of venture capitalists and how they operate. This finding is in line with the empirical findings of Ambrose (2012) and Brownyn (1995) that the unawareness and lack of sufficient information about the presence and operations of venture capital is one of the factors holding back entrepreneurs from the use of venture capital financing. In addition, this finding supports the work of Okpala (2012) that venture capital exists in Nigeria but has not been significantly effective in boosting rural entrepreneurship and industrial development in Nigeria.

The results in Table 4 showed that there are several barriers (e.g. erratic power supply, inadequate market demand, bad roads, poor telecommunication system, etc.)

that hinder rural entrepreneurship development in Nigeria. This finding suggests that rural entrepreneurship can continue to thrive well and contribute optimally to the economic development of a country when public policymakers provide the basic level of infrastructure to support rural entrepreneurs' business activities (Fontes and Coombs, 2001). Furthermore, this finding is in line with the view of Barkley (1994) that entrepreneurs in rural areas have difficulty in attracting traditional venture capitalists, simply because the rural communities usually provide a limited business infrastructure to meet the management and technical support needs of the entrepreneur and small businesses.

The findings of study also note that most of the rural entrepreneurs in Nigeria do not use bank loans. These findings however, support Wortman (1996) who notes that the reason why most entrepreneurial firms have continued to seek for VC financing, among other creating values offered by VCs, is that the conventional banks are said to be conservative in their lending practices, placing comparatively little importance on lending to entrepreneurs. In particular, this finding supports Ambrose (2012) that lack of realistic collateral, absence of credit history, poor documentation, and inadequate cash flow analysis and financial statements are hindrances to the growth of entrepreneurial ventures.

Furthermore, in terms of the use of sources of funds by the rural entrepreneurs in Nigeria, the results showed that majority of rural entrepreneurs frequently use personal saving and owner investment fund as their sources of funding with mean scores of (3.694) and (3.525), respectively. This finding is in line with that of Falkena, *et al.* (2001) that postulates the lifecycle approach, which suggests that entrepreneurial firms start out by using contributions from their owners. The finding of this study also supports Ambrose (2012) and Rouge (2002) that financial institutions perceive entrepreneurial ventures as high risks and profitably impracticable, and that, due to these claims, very few numbers of entrepreneurial ventures attempt to use bank loans as a source of financing.

Again, the outrageous interest charges by the banks are also worrisome to the entrepreneurial ventures. The entrepreneurial firms, however, use their personal savings more, as these do not haunt them, even when the business is not performing (Ambrose, 2012). In particular, the finding of this study supports Marson and Harrison (1993) who agreed that location in remote areas could influence the chance of securing finance. Institutional sources of finance, such as banks and equity financing, through venture capital (VC), will only gather information on entrepreneurial venture to the extent that the marginal benefits, from the information gathered, are equal to the marginal cost of acquiring it. This result also supports the view of Felsenstein and Fleischer (2002) that the cost to venture capitalists and the banks of acquiring information on rural entrepreneurial ventures in the rural region is likely to hinder rural entrepreneurs from receiving financial support.

The results found in this study have made a number of implications and contributions. The findings of the study contributes to the dearth empirical literature on rural entrepreneurship and filled the research gap of how a robust and efficient venture capital market can make available the required capital and provide the necessary management skills for the growth of rural entrepreneurial activities in Nigeria. Consequently, the analysis and conclusion from this study would serve as departing points for future research in the area of rural entrepreneurship in Nigeria and beyond.

In conclusion, this study aims to examine the role of venture capital financing in enhancing the growth of rural entrepreneurship in Nigeria. This study has demonstrated that venture capitals exist in the rural regions of Nigeria but that rural entrepreneurs are largely unaware of their capabilities in bridging the entrepreneurial venture financing gap. Besides, venture capitalists are not motivated to finance rural entrepreneurial ventures in Nigeria due to their inexperience in business financial management, their uncertainty, incompetence to meet the requirements of venture capitalists, and the relatively high costs of finding, supporting, and liquidating deals in rural areas. Therefore, since VC is one of the most vibrant long-term sources of equity financing and also a very useful financing option for innovative rural entrepreneurship growth, the practical implication is that the Nigerian government policy response to rural equity capital gap should be motivating.

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