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## Abstract

Poverty rates in Sub-Saharan Africa (SSA) have risen, with 47% of the region's population living in poverty. In Nigeria, approximately 87 million are classified as extremely poor. Existing research on the relationship between entrepreneurship and poverty in this region is fragmented and inconsistent. Traditional economic measures of poverty have proven inadequate, prompting the need for a multidimensional approach. The paper examined the mediating effect of entrepreneurial activity on the relationship between the precursors of entrepreneurship and poverty. The study used a survey method and partial least squares structural equation modeling (PLS-SEM) to analyze the data, which confirmed all hypotheses, revealing significant direct relationships except for uncertainty avoidance. The findings suggest that access to finance, entrepreneurial potential, individualism, and masculinity's impact on poverty are mediated by entrepreneurial activity. The paper advocates for an increase in formal and informal funding and suggests that government programs should emphasize skill development over business programs. This study enriches the existing literature by detailing the mediating effect of entrepreneurial activity on poverty drivers.

## Keywords

access to finance, national culture, self-efficacy, entrepreneurial capacity, poverty

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# Antecedents of Entrepreneurial Activity and Poverty: Mediating Effect of Entrepreneurial Activity

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## Abstract

Poverty rates in Sub-Saharan Africa (SSA) have risen, with 47% of the region's population living in poverty. In Nigeria, approximately 87 million are classified as extremely poor. Existing research on the relationship between entrepreneurship and poverty in this region is fragmented and inconsistent. Traditional economic measures of poverty have proven inadequate, prompting the need for a multidimensional approach. The paper examined the mediating effect of entrepreneurial activity on the relationship between the precursors of entrepreneurship and poverty. The study used a survey method and partial least squares structural equation modeling (PLS-SEM) to analyze the data, which confirmed all hypotheses, revealing significant direct relationships except for uncertainty avoidance. The findings suggest that access to finance, entrepreneurial potential, individualism, and masculinity's impact on poverty are mediated by entrepreneurial activity. The paper advocates for an increase in formal and informal funding and suggests that government programs should emphasize skill development over business programs. This study enriches the existing literature by detailing the mediating effect of entrepreneurial activity on poverty drivers.

**Keywords:** access to finance, national culture, self-efficacy, entrepreneurial capacity, poverty

## Introduction

Recent times have seen heightened attention on poverty, particularly in developing countries. One of the Sustainable Development Goals is to eradicate poverty in all its forms by the year 2030. However, Africa's track record in reducing poverty pales compared to other regions that have experienced faster economic growth and more substantial poverty reduction. In 2019, approximately 478 million people in Africa were living in extreme poverty, and projections for 2021 estimate this number to increase to 490 million—37 million more than initially anticipated before the pandemic (United Nations Conference on Trade and Development, 2021). With an estimated 47% of its population living in poverty, Sub-Saharan Africa (SSA) remains the only region globally where poverty figures are not declining (World Bank, 2022). When compared to extreme poverty levels in

other areas, these figures are even more concerning. Eighteen of the top 20 economies in SSA are grappling with high poverty rates (World Bank, 2020).

While the 2022 edition offers a comprehensive analysis of poverty following numerous economic disasters, progress in eradicating extreme poverty has stalled globally. Rising food and energy costs, spurred by climatic shocks and conflict among major food-producing nations, have slowed a quick recovery after COVID-19 struck the heaviest blow to global poverty in decades (World Bank, 2022). With 87 million in extreme poverty, Nigeria leads the world in this metric (World Bank, 2022). The effects of poverty are both catastrophic and pervasive, primarily due to socio-economic challenges (Raimi et al., 2015; Yeboua et al., 2022). Despite the severity of this issue, there has been insufficient exploration of this problem, especially in high-poverty regions (Sutter et al., 2018; Yeboua et al., 2022). These authors argued that a fundamental lack of resources is the root cause of poverty. Bugaje (2018) suggested that providing these resources could enable entrepreneurship to flourish, positioning it as a crucial tool in reducing poverty.

Despite the significance of entrepreneurship in alleviating poverty, research on the topic remains inconsistent and fragmented. Most studies take a practical rather than theoretical approach (Bruton et al., 2008; Kim & Kim, 2021). Wu and Si (2018) noted that research linking entrepreneurship to poverty focuses more on specific problems than underlying theories, leading to a lack of robust theoretical foundation to further describe the processes. Additionally, poverty is typically measured solely in economic terms, ignoring its multiple dimensions, which results in an erroneous measurement (Sutter et al., 2018). Consequently, there is a pressing need for research that takes a multidimensional approach to measure poverty.

The paper discusses the role of culture, business capabilities, and financial access as antecedents of entrepreneurial activity. Despite the significant disparities in available resources for entrepreneurs, access to funds remains the main problem. Over half of Nigeria's population is economically excluded from the formal economy (Adeleke & Alabede, 2022). Furthermore, the informal sector, which typically uses these sources, is seldom studied in this context. While studies emphasize education of fundamental business principles, they tend to underemphasize the training in skills vital for resource exploration, creation, and exploitation (Kelly et al., 2016).

The originality of this study lies in its adept synthesis of existing research, such as Guo (2024), Sutter et al. (2018), and Urban and Ratsimanetrimanana (2015), to construct a compelling narrative that challenges traditional approaches to national culture studies. By acknowledging and emphasizing significant variations within a single country, the study supports Sutter et al.'s (2018) call for a deeper understanding of cultural dynamics in entrepreneurship and poverty research. Its distinctive contribution is applying Hofstede's (1984) cultural dimensions theory to the specific context of individual owners of unregistered firms in Nigeria's economically disadvantaged Northwest. This approach recognizes the intricacies of the local economic context and diverse ethnicities, offering a unique lens on how cultural factors influence entrepreneurial behaviors. Consequently, the study introduces an innovative perspective that not only justifies the use of Hofstede's framework but also enriches our understanding of the complex interplay between culture, entrepreneurship, and poverty within a specific, localized setting. Furthermore, the unit of analysis in this paper is the informal entrepreneur. Tobias et al. (2013) argued that studies typically focus on the macro level; however, it is important first to examine the individual entrepreneur to build on those results. Moreover, while studies are mainly centered on micro-enterprises, individual-level research remains underrepresented (Sutter et al., 2018; Tobias et al., 2013).

## **Literature Review and Research Hypothesis**

The literature review and research hypothesis are divided into five sections. All the sections explain the current literature and hypothesize the relationships.

### ***Access to Finance and Entrepreneurial Activity***

Access to finances is crucial for enterprises, especially in the informal sector, where constraints are more pronounced compared to the formal sector (Webb et al., 2013). Informal entrepreneurs face barriers due to limited access to formal institutions, relying instead on personal resources and informal networks (Bhattacharya & Londhe, 2014). Micro-enterprises, often risk-averse, tend to rely on personal funds or those from family and friends due to issues like collateral requirements and high-interest rates (Bhattacharya & Londhe, 2014). However, this reliance on informal sources limits business growth.

Low-wealth entrepreneurs struggle to secure outside funding, receiving significantly less funding than their wealthier counterparts (Frid et al., 2016). Common sources of internal funding include retained earnings and personal savings, particularly among small businesses (Hamilton & Fox, 1998). Additionally, informal sources such as friends, family, and business angels are prevalent, though less so than in industrialized nations (Gudov, 2013).

Despite the informal sector's significant contribution to employment in North Africa and SSA, research on its relationship with financing and entrepreneurship is scarce (Webb et al., 2013). Institutional theory suggests that entrepreneurs are influenced by societal factors and access to capital, which can either enable or constrain their ventures (Bruton et al., 2010). The lack of formal institutional support may hinder entrepreneurial operations, yet entrepreneurs often resort to informal financing options. This study highlights these dynamics through the lens of institutional theory.

- H1: There is a positive relationship between access to finance and entrepreneurial activities.

### ***National Culture and Entrepreneurial Activity***

Culture is an important aspect of society's way of life (Hofstede, 1984). It impacts everything from daily routines to entrepreneurial decisions. Culture is an important predictor of entrepreneurial activities, a theme extensively explored in research (Aramand, 2013; Engelen et al., 2015; Fortunato & Alter 2016). While many studies investigate national culture in entrepreneurship by comparing multiple nations (Dimitratos et al., 2016; Engelen et al., 2015; Rubio-Bañón & Esteban-Lloret, 2016), there remains a gap in studies that focus on national cultures and entrepreneurial activity within a single nation (Osoba, 2009; Şahin & Asunakutlu, 2014; Urban & Ratsimanetrimanana, 2015).

National culture has mostly been measured at the macro level through Hofstede's dimension. Few studies have measured an individual country's micro-level cultural values. For example, Urban and Ratsimanetrimanana (2015) examined Hofstede's dimensions among ethnic groups in Madagascar, while Sharma (2010) created a system to assess each country's unique national culture. Similarly, Yoo et al. (2011) created a scale to assess an individual's national cultural values.

Research on how national culture affects entrepreneurial endeavors shows varied results. Some research indicates a positive correlation between power distance and entrepreneurial activity, while others indicate the opposite (Bruton et al., 2010). Shane (1993) compared the years 1975 and 1980, finding that while individualism and uncertainty avoidance were negatively correlated and power distance positively correlated in 1980. In contrast, all three variables were positively correlated in 1975. These results demonstrate the inconsistency of these dimensions across different years.

This study supports Hofstede's (1984) theory that national culture influences entrepreneurial activity. Cultures with high levels of individualism, masculinity, and power distance, and a low level of uncertainty avoidance could create an avenue for high entrepreneurial activities and a supportive atmosphere for entrepreneurs. Thus, this study supports the following hypotheses based on the theory:

- H2a: There is a positive relationship between individualism and entrepreneurial activities.
- H2b: There is a positive relationship between power distance and entrepreneurial activities.
- H2c: There is a positive relationship between masculinity and entrepreneurial activities.
- H2d: There is a negative relationship between uncertainty avoidance and entrepreneurial activities.

### ***Business Capability and Entrepreneurial Activity***

Human capital is vital for entrepreneurial ventures, necessitating entrepreneurship education for successful business operations (Lourenço et al., 2014). Barriers such as lack of access to credit and educational opportunities inhibits entrepreneurial activity, especially within the informal sector (Webb et al., 2013). While studies show mixed results regarding the impact of entrepreneurship education on business intentions (Oosterbeek et al., 2010; Yousaf et al., 2015), there is consensus that entrepreneurship knowledge significantly enhances entrepreneurial success (Staniewski, 2016), by emphasizing skill acquisition over traditional business teaching (Sutter et al., 2018).

This study focuses on established businesses rather than business intentions, examining how entrepreneurial capacity contributes to efficient business operations (Senay, 2016). Entrepreneurial capabilities are essential for institutional entrepreneurship, where individuals either transform existing institutions or create new ones (Phillips & Tracey, 2007). Neo-institutional theory underscores the significance of an entrepreneur's capabilities in driving change and informed decision-making (Phillips & Tracey, 2007). This study underpins the relationship between business capability and entrepreneurial activity based on institutional theory.

- H3a: There is a positive relationship between self-efficacy and entrepreneurial activities.
- H3b: There is a positive relationship between entrepreneurial capacity and entrepreneurial activities.

### ***Entrepreneurial Activity and Poverty***

Entrepreneurship could be argued as one of the key drivers of growth in any economy; this, without a doubt, is key in the fight against poverty. Although entrepreneurial activity is very high in low-technology industries, entrepreneurial activity grows the economy more in high-technology industries, which are more inclined to do that than no technology and low-technology fields (van der Zwan et al., 2013). Studies on entrepreneurship and poverty have produced a range of

conclusions. Some researchers claim entrepreneurship has little effect on reducing poverty (Shaeikh & Ali, 2013; Singer, 2006; Yanya, 2012; Yanya et al., 2013), while other studies (Ab. Hadi et al., 2013; Arul Paramanandam & Packirisamy, 2015; O'Brien, 2012; Tobias et al., 2013) demonstrate the opposite. This, according to Bugaje (2018), maybe because some of these studies concentrate on the formal sector of the economy, whereas the informal sector makes up a sizable portion of the economy. Despite having a significant economic impact, the informal sector has received little attention from an entrepreneurial standpoint (Webb et al., 2013).

Research on entrepreneurship in SSA is often limited by a lack of robust evidence as noted by Bruton et al. (2008). The authors noted that only .005% of the approximately 7,500 articles in high-impact journals dealt with emerging economies. The recent challenges posed by the COVID-19 pandemic and climate change have further strained these vulnerable economies, according to Dipoli (2021). In addition, Sutter et al. (2018) said there is a scarcity of research in developing nations experiencing extreme poverty. Sen (1983) further claimed that traditional poverty lines do not accurately capture the complexities of poverty, which cannot be fully understood by simply measuring economic disparity. This study used the multidimensional poverty indicators developed by the Oxford Poverty and Human Development Initiative and the United Nations Development Programme, which consider various important parameters, making it a more reliable measure for assessing poverty in this context.

- H4: There is a positive relationship between entrepreneurial activities and poverty.

### ***Mediation***

As previously noted, entrepreneurship significantly contributes to economic growth and thereby aids in poverty eradication. The relationship between access to finance, culture, business capability, and poverty alleviation through entrepreneurial activities has been extensively researched. Most studies have treated entrepreneurial activity as a dependent variable (Brixiová & Kangoye, 2016; Fortunato & Alter, 2016; Pinillos & Reyes, 2011; Yousaf et al., 2015), while others have considered it as a distinct variable (Arul Paramanandam & Packirisamy, 2015; Huggins, 2013; Teerakul et al., 2012; Williams & Tobias et al., 2013; Yanya et al., 2013). Muhammed et al. (2021) suggested that entrepreneurship is not entirely under the control of the entrepreneurs; hence the need for societal support. There is no compelling evidence to support the association between access to finance, culture, and business capability directly to poverty reduction. Therefore, a person's poverty may not necessarily decrease with access to financing unless coupled with entrepreneurial initiatives. Entrepreneurship can significantly enhance the use of financial resources, promoting the launch and success of entrepreneurial ventures, thereby reducing poverty.

Similarly,, possessing the necessary business capabilities alone may not directly reduce poverty. However, when entrepreneurial activities mediate these relationships, the impact of capabilities on venture startup and performance, which can help combat poverty, becomes apparent. Additionally, merely living in a society that encourages entrepreneurship does not guarantee poverty reduction. The relevance and significance of how entrepreneurial activity could reduce poverty in several economies have been underlined by several studies (Ab. Hadi et al., 2013; Arul Paramanandam & Packirisamy, 2015; O'Brien, 2012; Tobias et al., 2013). Hence, entrepreneurial activity can mediate the relationship between access to finance, culture dimensions, entrepreneurial capacity, self-efficacy, and poverty reduction.

- H5a: There is a mediation effect of entrepreneurial activity on the relationship between access to finance and poverty.
- H5b: There is a mediation effect of entrepreneurial activity on the relationship between individualism and poverty.
- H5c: There is a mediation effect of entrepreneurial activity on the relationship between power distance and poverty.
- H5d: There is a mediation effect of entrepreneurial activity on the relationship between masculinity and poverty.
- H5e: There is a mediation effect of entrepreneurial activity on the relationship between uncertainty avoidance and poverty.
- H5f: There is a mediation effect of entrepreneurial activity on the relationship between self-efficacy and poverty.
- H5g: There is a mediation effect of entrepreneurial activity on the relationship between entrepreneurial capacity and poverty.

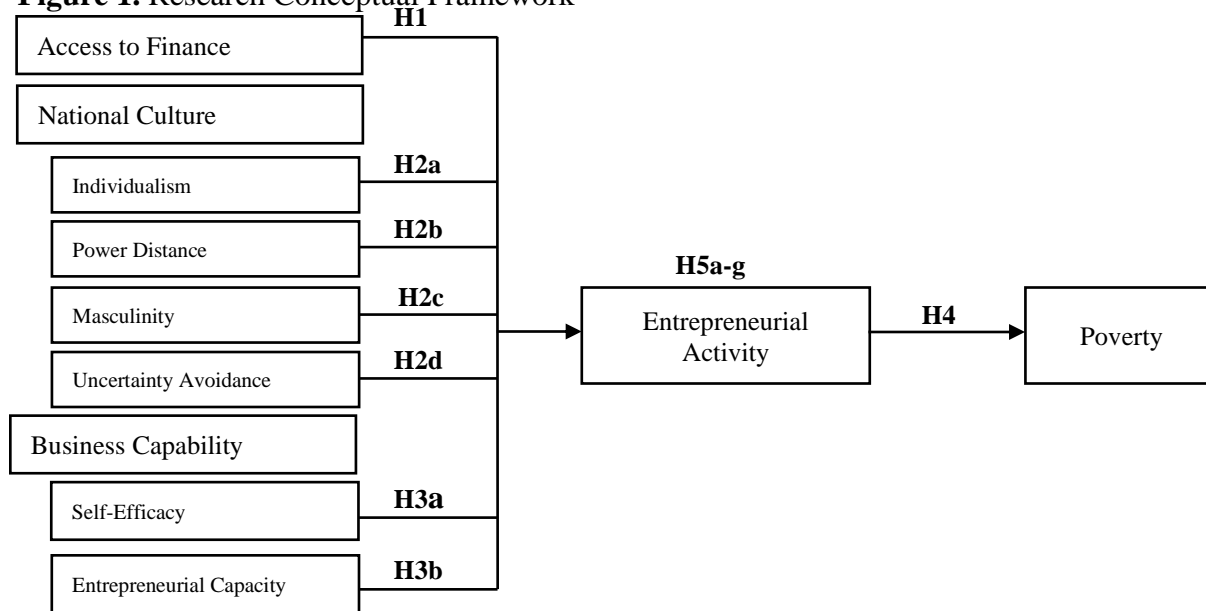
### ***Theoretical Framework***

The overarching theory guiding this study on the antecedents of entrepreneurial activity and its impact on poverty, with a focus on the mediating role of entrepreneurial activity, is institutional theory. Institutional theory posits that formal and informal rules, norms, and values embedded in societal institutions profoundly shape individual and organizational behavior (Peters, 2022; Zucker, 1987). In the context of entrepreneurship and poverty, institutional theory suggests that the prevailing institutional environment—including regulatory frameworks, cultural norms, and socio-economic structures—influences the emergence and nature of entrepreneurial activities. Entrepreneurs respond to institutional pressures by adapting their strategies and behaviors to align with prevailing norms, and this adaptation is critical in determining their impact on poverty (Lashitew et al., 2022). The mediating effect of entrepreneurial activity serves as a mechanism through which institutional forces influence poverty outcomes, as the institutional environment shapes the opportunities and challenges entrepreneurs face in their efforts to create economic value and alleviate poverty within a given social and regulatory context.

### ***Conceptual Framework***

This study focuses on individual entrepreneurs in northwest Nigeria and operates at a micro level. The framework shown in Figure 1 suggests that access to finances, business capability, and a culture of entrepreneurship collectively encourage and boost entrepreneurship. Additionally, heightened entrepreneurship reduces poverty. Business capability, national cultural variables, and access to finance are categorized as independent variables. Poverty is categorized as the dependent variable. Entrepreneurial activity functions as an independent, mediating, and dependent variable. This study employed entrepreneurial activity as a mediator because of the attention it brought to inconsistent outcomes. The relationship between national culture, poverty, business capability, and access to finances is mediated through entrepreneurial activity.



**Figure 1. Research Conceptual Framework**

## Methods

### *Research Method*

The study utilizes a survey research design, which is particularly useful for gaining insights into individual perceptions, attitudes, behaviors, and characteristics (Aarons, 2020). In investigating the antecedents of entrepreneurial activity and poverty with a focus on the mediating role of entrepreneurial activity, this survey design allows for the systematic collection of quantitative data. Respondents may be asked to provide information on factors influencing their decision to engage in entrepreneurial activities, their socio-economic context, and the perceived impact on poverty.

The sample consisted of individual owners of unregistered firms in the Northwest of Nigeria. The data collection approach employed for the study was quantitative in nature and used the survey method. Data were collected using an in-person questionnaire, which allowed for greater control over the survey environment (Randall & Gibson, 1990), reduced potential misunderstandings, and ensured standardized administration. The sample of entrepreneurs were selected from various sectors, including retail, agriculture, manufacturing, services, and others. Out of the 422 questionnaires, 387 were used for analysis.

### *Estimation Technique*

The study employed partial least squares structural equation modeling (PLS-SEM) due to the nature of the data, which presented non-normal characteristics, a common challenge in survey research (Sarstedt et al., 2021). The PLS-SEM was chosen over alternative methods for its effectiveness in handling non-normal data, especially in predictive research or theory development. The research focused on the mediating effects, simultaneously examining all mediator models using PLS's bootstrapping resampling method. This approach, known for its superior statistical power, surpassed alternatives like the Sobel test (Hair et al., 2021). It offers flexibility for handling both small and large samples without depending on distributional assumptions. Highlighted for its capacity to

handle non-normally distributed indirect effects, this method contributed to robust analysis and increased the overall reliability of the study's findings (Becker et al., 2023).

### Variable Description

The study's independent variables encompass access to finance, national culture, self-efficacy, and entrepreneurial capacity, with modifications to the access to finance components based on prior research (Basu, 1998; Fatoki, 2012; Hussain et al., 2006; Marlow & Patton, 2005; Ngoasong & Kimbu, 2016; Rouse & Jayawarna, 2006; Usman & Gulani, 2011). Access to finance was measured using nine items. National culture was measured using Hofstede's and Sharma's scales, consisting of 32 questions on a Likert scale from -1 to 7 (Hofstede, 1984; Sharma, 2010; Sharma et al., 2016). Entrepreneurial capacity drew from Liñán et al. (2011), while self-efficacy measurements were derived from Liñán and Chen's (2009) and (2011) methodologies, using seven and six items respectively. The mediating variable, entrepreneurial activity, which measured self-employment, entrepreneurial orientation, and business performance, adopted established scales (Hughes & Morgan, 2007; Singh et al., 2010). Poverty, the dependent variable, utilized Alkire and Robles' (2015) multidimensional measurements, incorporating aspects from Eide and Jele's (2011) framework, with 10 items categorized into living standards, health, and education. Each category was scored based on deprivation (0) or non-deprivation (1), contributing to a comprehensive assessment of poverty levels. An individual with a score of 50% and above was considered severely poor, 33.33% – 50% as poor, 20% – 33.33% as vulnerable to poverty, and less than 20% as not poor. Table 1 gives a detailed description of the dependent and independent variables, including authors, number of items, and scales used.

**Table 1.** Variable Description

Variable	Source/Author	Modification	Measurement Item	Measurement Scale
Access to Finance	Basu (1998), Fatoki (2012), Hussain et al. (2006), Marlow & Patton (2005), Ngoasong & Kimbu (2016), Rouse & Jayawarna (2006), Usman & Gulani (2011)	Modified components in 2016	9	Likert scale (1 to 7)
National Culture	Hofstede (1984), Sharma (2010), Sharma et al. (2016)	Utilized Hofstede's and Sharma's scales	32	Likert scale (1 to 7)
Entrepreneurial Capacity	Liñán et al. (2011)	Adapted	7	Likert scale (1 to 7)
Self-Efficacy	Liñán & Chen (2009), Liñán & Chen (2011)	Directly taken	6	Likert scale (1 to 7)
Entrepreneurial Activity <sup>a</sup>	Hughes & Morgan (2007), Singh et al. (2010)	Established scales	19*	Likert scale (1 to 7)
Poverty <sup>b</sup>	Alkire & Robles (2015), Eide & Jele (2011)	Modified from Alkire and Robles' revised measurements, some from Eide and Jele's work	10	Binary score (0 for deprivation, 1 for non-deprivation)

Note. <sup>a</sup>Mediating variable. <sup>b</sup>Dependent variable. \*Hierarchical component model.

### Results

Common-method variance is a potential methodological issue that arises when the same measurement method, typically surveys or questionnaires, is used to collect data on multiple variables (Tehseen et al., 2017). It refers to the variance shared among variables due to the commonality of the measurement method rather than reflecting the true relationships among the constructs being studied (Baumgartner et al., 2021). To mitigate this bias, the study applied procedural methods and assured respondents that their responses would remain confidential and anonymous. This encouraged honest and unbiased responses.

This section is organized into four sections. The PLS-SEM comprises two main sections: the measurement model and the structural model. The measurement model assesses the items and determines construct reliability and validity. The structural model, on the other hand, evaluates the model's predictive usefulness and the results of the hypothesis testing. Furthermore, the outcome of the mediation analysis employing the Preacher and Hayes (2008) method is explained. Additionally, the discussion of these results is explored.

### *Measurement Model*

The outer models were used to determine the reliability of the items. Ketchen (2014) opined that items with a factor loading of less than .50 should be deleted. Consequently, all items with loadings below .50 were deleted. The factor loadings of the remaining items range from .580 to .887 which indicates adequate reliability of the items. To measure the internal consistency of the items, composite reliability was used, as it is one of the most reliable methods. The threshold of composite reliability, as stated by Ketchen (2014), should exceed .50. Table 2 confirms adequate composite reliability, suggesting adequate item contributions to the construct measurement.

**Table 2.** Item Loadings, CR, and AVE Values

Item	Factor Loading	CR	AVE	Item	Factor Loading	CR	AVE
AF1	.867	.827	.704	MS1	.556	.801	.574
AF2	.845			MS3	.620		
AF3	.798			MS4	.734		
AF4	.796			MS5	.767		
AF5	.622			MS6	.856		
AF7	.841			MS7	.863		
AF8	.807			MS8	.783		
AF9	.773			PD2	.553	.826	.546
BP2	.724	.889	.616	PD3	.722		
BP2	.666			PD4	.785		
BP3	.831			PD5	.843		
BP3	.623			PD6	.825		
BP4	.903			PD7	.784		
BP4	.668			PD8	.705		
BP5	.742			POV	.000		
BP5	.523			SE1	.685	.925	.674
EC1	.875	.901	.603	SE2	.638		
EC2	.531			SE3	.629		
EC3	.579			SE4	.540		
EC4	.905			SE5	.662		
EC5	.819			SE6	.615		
EC6	.829			SP1	.788	.916	.688
EO1	.857	.888	.536	SP2	.715		
EO1	.639			SP3	.743		
EO2	.846			SP4	.761		
EO2	.661			SP5	.678		
EO3	.744			SP6	.580		
IN1	.616	.933	.639	UA1	.804	.848	.531
IN3	.743			UA2	.756		
IN4	.862			UA3	.484		
IN5	.877			UA4	.825		
IN6	.789			UA5	.763		
				UA6	.821		

*Note.* AF = Access to Finance; BP = Business Performance; EC = Entrepreneurial Capacity; EO = Entrepreneurial Orientation; IN = Individualism; MS = Masculinity; PD = Power Distance; SE = Self-Efficacy; SP = Self-Employment; UA = Uncertainty Avoidance.

Convergent validity measures whether items truly represent the intended latent construct they are supposed to measure. The average variance extracted (AVE) is used to measure convergent validity (Ketchen, 2014). The AVE values for the constructs all exceed the .50 threshold, as shown in Table 2, affirming their convergent validity. Discriminant validity, which determines the distinctiveness

between constructs, was evaluated using the Fornell and Larcker (1981) approach. The approach requires that for adequate discriminant validity, all AVE values exceed .50 and that the square roots of the AVEs surpass the correlations among constructs. Table 3 indicates adequate discriminant validity based on the Fornell and Larcker (1981) criterion.

**Table 3.** Latent Variable Correlations

Variable	AF	BP	EC	EO	IN	MS	PD	PO	SE	SP	UA
1. Access to Finance (AF)	.839										
2. Business Performance (BP)	.135	.785									
3. Entrepreneurial Capacity (EC)	-.014	.486	.776								
4. Entrepreneurial Orientation (EO)	.201	.547	.392	.732							
5. Individualism (IN)	.188	.334	.272	.576	.799						
6. Masculinity (MS)	.258	.316	.194	.521	.658	.758					
7. Power Distance (PD)	.164	.277	.265	.504	.677	.585	.739				
8. Poverty (PO)*	.019	-.077	-.107	-.11	-.002	.034	-.053	*			
9. Self-Efficacy (SE)	.154	.494	.652	.416	.355	.254	.261	-.044	.821		
10. Self-Employment (SP)	.264	.419	.247	.636	.808	.659	.671	-.017	.317	.83	
11. Uncertainty Avoidance (UA)	-.067	.236	.268	.273	.343	.205	.379	-.109	.136	.301	.728

Note. \*Single item

### Structural Model

The results of the hypothesis testing are shown in Table 4. The findings indicate positive correlations between individualism, masculinity, self-efficacy, access to funding, and entrepreneurial ability with entrepreneurial activity. Each hypothesis was supported at the 1% significance level. Power distance was anticipated to have a positive impact on entrepreneurial activity, and the results confirmed this hypothesis at the 5% significance level. Conversely, uncertainty avoidance was hypothesized to be negatively related to entrepreneurial activity; However, the outcome showed a positive association, thus the hypothesis was not supported. Additionally, the relationship between poverty and entrepreneurial activity was confirmed at the 5% significance level.

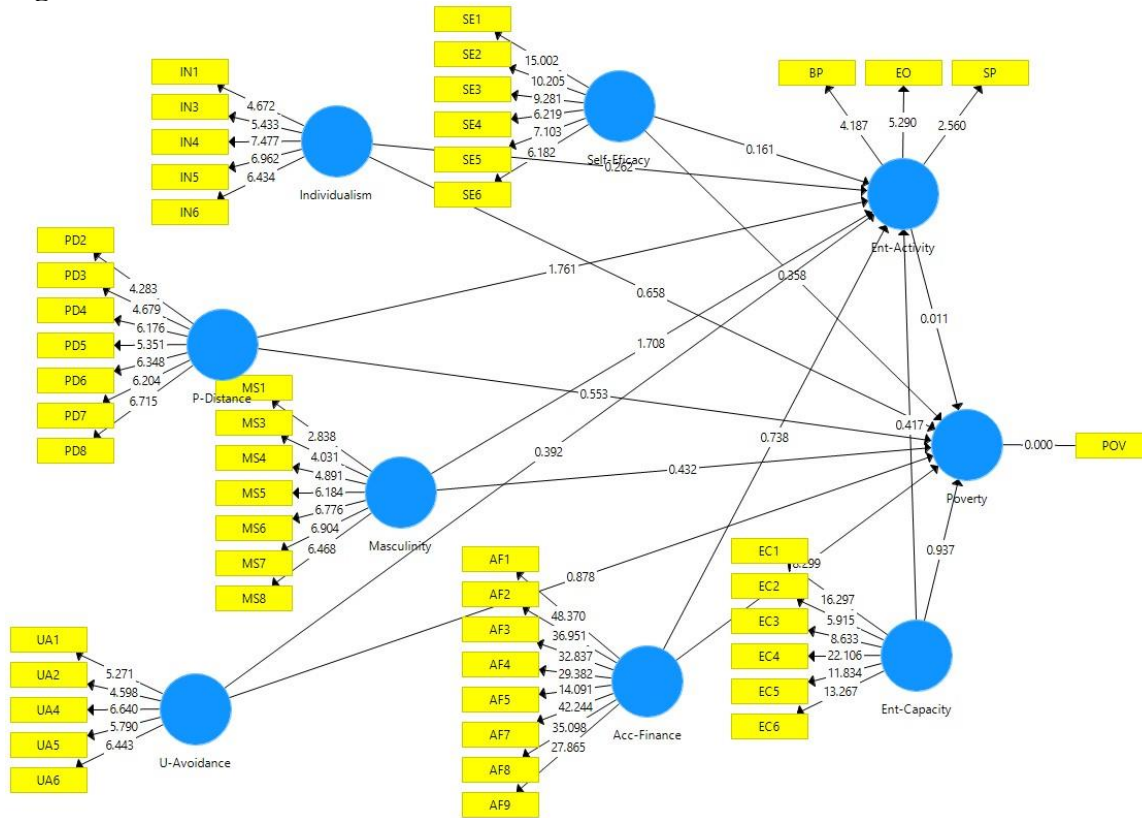
The proportion of variance explained between the endogenous and exogenous variables is determined by the coefficient of determination,  $R^2$  (Ketchen, 2014). Figure 2 illustrates the model's  $R^2$  at .006 (0.6%) and .63 (63%). According to Ketchen (2014), an  $R^2$  value above .50 but below .75 is regarded as moderate, and a value below .13 as weak. This analysis suggests that entrepreneurial activity accounts for .06 (6%) of the variance in poverty, while factors that account for .63 (63%) of the variance in entrepreneurial activity include access to capital, self-efficacy, entrepreneurial capacities, individualism, masculinity, power distance, and uncertainty avoidance.

**Table 4.** Test of Hypothesis for Direct Relationship

Relationship	$\beta$	Standard Error	T	p	Decision
AF → EA	.089	.031	2.910	.002**	Supported
EA → PO	-.082	.052	1.579	.058*	Supported
EC → EA	.159	.057	2.806	.003**	Supported
IN → EA	.364	.074	4.920	.000**	Supported
MS → EA	.206	.050	4.076	.000**	Supported
PD → EA	.118	.059	1.999	.023*	Supported
SE → EA	.142	.058	2.440	.008**	Supported
UA → EA	.059	.031	1.923	.028*	Not supported

Note. AF = Access to Finance; BP = Business Performance; EC = Entrepreneurial Capacity; EO = Entrepreneurial Orientation; IN = Individualism; MS = Masculinity; PD = Power Distance; SE = Self-Efficacy; SP = Self-Employment; UA = Uncertainty Avoidance. \*Statistical significance at a 5% level of significance. \*\*Statistical significance at 1% level of significance.

Figure 2. Measurement Model



Mediation Analysis

The mediation analysis in this study was conducted using 387 cases to calculate the *t*-statistics of the indirect effects through a bootstrap of 5,000 samples. The standard deviation and *t*-values of the indirect effects were estimated by exporting the results of the bootstrap samples to Microsoft Excel.

The findings showed that entrepreneurial activity had a mediating role in the relationships between access to finance, entrepreneurial capacity, individualism, masculinity, and poverty, supporting the hypothesis at the 10% significance level. However, the findings did not support the mediating role of entrepreneurial activity in the relationships between poverty, self-efficacy, power distance, and uncertainty avoidance. Consequently, these aspects of the set theory were unsupported, as shown in Table 5.

Table 5. Test of Hypothesis of Mediating Relationships

Relationship	Indirect Effect	Standard Error	<i>t</i>	<i>P</i>	Decision
AF → EA → PO	-.007	.005	-1.360	.087*	Supported
EC → EA → PO	-.013	.010	-1.344	.090*	Supported
IN → EA → PO	-.030	.020	-1.485	.069*	Supported
MS → EA → PO	-.017	.012	-1.437	.076*	Supported
PD → EA → PO	-.010	.009	-1.124	.131	Not supported
SE → EA → PO	-.012	.010	-1.199	.116	Not supported
UA → EA → PO	-.005	.004	-1.100	.136	Not supported

Note. AF = Access to Finance; BP = Business Performance; EC = Entrepreneurial Capacity; EO = Entrepreneurial Orientation; IN = Individualism; MS = Masculinity; PD = Power Distance; SE = Self-Efficacy; SP = Self-Employment; UA = Uncertainty Avoidance. \*Statistical significance at a 10% level of significance.

## **Discussion**

### ***Antecedents of Entrepreneurial Activity and Poverty***

Entrepreneurial initiatives demand substantial startup capital and ongoing financing, crucial for all phases of a firm's lifecycle (Abe et al., 2015; Brixiová & Kangoye, 2016). However, access to capital remains a significant challenge in SSA, particularly in Nigeria, hindering entrepreneurial efforts (Okpala, 2012). Studies consistently highlight the positive association between access to capital and entrepreneurial activity, with both formal and informal sources utilized by business owners (Bird & Wennberg, 2016; Brixiová & Kangoye, 2016; Wang et al., 2015). Formal funding sources play a primary role in business development and expansion.

Culture heavily influences the decision to launch entrepreneurial ventures (Basu & Altinay, 2002), with this study focusing on the national and cultural aspects of Nigeria's northwest states. Variations in state-specific dimensions underscore the diversity within the nation, particularly in regions with diverse ethnic populations (Urban & Ratsimanetrimanana, 2015). The study's findings supported the hypothesis, which held that individualism, power distance, masculinity, and entrepreneurial activity are significantly positively correlated. Even so, the theory that expects a negative relationship between uncertainty avoidance and entrepreneurial activities was incongruent with uncertainty avoidance's significantly positive association with entrepreneurial activities. This is in line with research (Engelen et al., 2015; Osoba, 2009) suggesting that entrepreneurial activities would be influenced by cultures with higher levels of uncertainty avoidance. According to Osoba (2009), self-employment was an escape from difficult situations; therefore, doing anything is preferable to doing nothing.

This study confirmed the hypothesis that self-efficacy, entrepreneurial potential, and entrepreneurial activity are significantly positively correlated. This underscores the importance of possessing entrepreneurial skills across all phases of the business life cycle, not just during a startup. Skills such as creativity, discovery, and exploitation are crucial for growth and innovation (Sutter et al., 2018).

This paper advocates for a shift in entrepreneur education towards skills acquisition rather than basic business teaching, aligning with the idea that technical know-how drives enterprise growth and development (De Silva, 2008). Entrepreneurship has been shown to reduce poverty by enhancing skills, accessing financial capital, and creating opportunities, although the impact may be limited in some cases (Alvarez & Barney, 2014). While entrepreneurship may not always lead to significant wealth creation, opportunities for discovery and creation can still generate wealth, even in conditions of poverty (Alvarez & Barney, 2014). Additionally, many entrepreneurs in the region venture into entrepreneurship out of necessity, lacking other viable options for economic advancement.

### ***Mediation Effect of Entrepreneurial Activity***

According to Ketchen (2014), a mediation effect occurs when a third variable, the mediator, intervenes between the independent and the dependent variables, enhancing the understanding of the connection between exogenous and endogenous factors. The results support this argument, showing that entrepreneurial activity mediates the relationship between access to finance and poverty. Merely having access to finance does not guarantee poverty reduction; it is conditional on other factors. Entrepreneurial activity clarifies how access to finance can lead to reduction of

poverty. This implies that individuals who engage in entrepreneurial activities when they have financial access are likely to experience a reduction in poverty.

Interestingly, the mediating effect of entrepreneurial activity between national culture dimensions and poverty is not uniformly supported. While relationships between individualism and masculinity, and poverty are mediated by entrepreneurial activity, the dimension of power distance and uncertainty avoidance do not support this mediating relationship. Individualism emphasizes autonomy and independence, which indirectly could reduce poverty through increased entrepreneurial engagement. Similarly, masculine values, which emphasize recognition, advancement, and challenge, are related to rising entrepreneurial activities and thus could significantly reduce poverty.

However, the results indicate that entrepreneurial activity does not mediate the relationship between power distance or uncertainty avoidance and poverty. Power distance, which refers to the unequal distribution in society, and entrepreneurial activity does not explain the relationship between the two constructs better. Similarly, high uncertainty avoidance, which refers to risk aversion, do not show improved explanatory power through entrepreneurial activity regarding their relationship with poverty.

Entrepreneurial capacity is very important, but merely possessing entrepreneurial skills does not directly reduce poverty. Instead, entrepreneurial activity mediates the relationship between entrepreneurial capacity and poverty reduction. If an entrepreneur possesses relevant capacities, they are more likely to engage in entrepreneurial activities that reduce poverty. However, the results do not support a mediating effect of entrepreneurial activity on the relationship between self-efficacy and poverty reduction. Self-efficacy refers to one's belief that they possess the ability to carry out a given task. While a positive and significant relationship exists between self-efficacy and entrepreneurial activities, it does not serve as a mediator between self-efficacy and poverty reduction.

## **Conclusion**

To summarize, current research falls short of developing a unified theoretical framework to explain the processes of entrepreneurship and poverty thoroughly. This study investigated the impact of the antecedents of entrepreneurial activity on entrepreneurship itself. The data demonstrated that all direct relationships, except for uncertainty avoidance, were statistically significant, supporting most of the study's assumptions. However, uncertainty avoidance had a positive relationship with entrepreneurial activity, contradicting the *a priori* hypothesis. This relationship was mostly attributed to the idea that self-employment provided an escape from difficult circumstances, leading to a cautious approach to risk-taking to avoid business failure.

Furthermore, this study examined the mediating role of entrepreneurial activity between endogenous and exogenous variables. The study supports that entrepreneurial activity mediates the relationship between access to finance, entrepreneurial capacity, individualism, masculinity, and poverty, but not between self-efficacy, power distance, and uncertainty avoidance. This implies that traits such as access to finance, entrepreneurial capacity, individualism, and masculinity not only influence entrepreneurial activity but also contribute to poverty reduction.

Based on these findings, the report recommends that formal funding options be expanded alongside informal ones to expand business development and growth. Government initiatives should prioritize skill acquisition over traditional business education, tailoring policies to accommodate each state's cultural values. This study adds to the existing literature by presenting empirical data on how entrepreneurial activity mediates the effects of its antecedents on poverty.

### ***Practical Implication***

This study directly connects the theoretical constructs to practical outcomes by examining their impact on entrepreneurial activity and poverty. For instance, the positive correlations found between individualism, self-efficacy, access to funding, and certain cultural dimensions with entrepreneurial activity can inform practitioners and policymakers in designing interventions or support mechanisms that enhance these factors. Additionally, this study explores the relationship between entrepreneurial activity and poverty, confirming the expected correlation. This finding suggests that policies or initiatives aimed at promoting entrepreneurial activity may also contribute to poverty alleviation.

### ***Limitation and Future Research***

The measurement of poverty usually focuses on monetary measurements; which may not fully capture its complexity. Hence, future studies should focus on more multi-dimensional poverty measures, particularly the Oxford Poverty and Human Development Initiative. Additionally, researchers should focus on countries with extreme poverty to enhance understanding of the concept. Similarly, future studies should focus on understanding individual entrepreneurs over microenterprises, which have been studied extensively. Furthermore, given national cultural differences within a single country, future studies in this area is warranted.

This study quantifies the strength of various relationships, reporting positive correlations between traits like individualism, masculinity, self-efficacy, access to funding, and entrepreneurial ability with entrepreneurial activity. Similarly, it identifies an unexpected positive association between uncertainty avoidance and entrepreneurial activity, challenging the initial hypothesis. This quantitative analysis adds empirical evidence to theoretical frameworks underpinning these relationships.

Lastly, the analysis of the mediating effect of entrepreneurial activity could benefit from greater depth in explaining the specific mechanisms at play. Future research could address these limitations by employing larger and more diverse samples, utilizing robust measures and research designs, exploring contextual factors, examining long-term effects, and providing comprehensive policy implications. Future research could offer a better understanding of the relationship between entrepreneurial activity and poverty in Northern Nigeria and beyond.

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