

## **Feasibility Analysis and Business Growth: Evidence from Computer Village Business Centre Ikeja Lagos Nigeria**

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**ABSTRACT:-** The study focuses on the impact of feasibility analysis on business growth. It specifically evaluated the relationship between years of business experience, marital status, gender and their impact on feasibility analysis. Most newly created business ventures in Nigeria do not perform up to expectations despite initial enthusiasm. Some hardly survive first year of operation why others could not grow above break-even level. One will wonder if such entrepreneurs actually conducted feasibility analysis before emergence of such business. This created the problem of external funding as venture capitalists are uninterested in business with low potentials for growth. The study adopted a survey approach which employed both descriptive and exploratory methods of data analysis. Questionnaires were designed, distributed and collected at the computer village business area Ikeja Lagos. 350 entrepreneurs were purposefully chosen for the administration of the questionnaire and 300 completed responses were completed and returned for the study. Data were analyzed using frequency distribution table, percentage and regression technique with the aid of Statistical Package for Social Science. Using business years of experience as a predictor, the study found out that feasibility analysis conducted by entrepreneurs with longer business years of experience have a beta value of 0.161 and alpha value of .005 which is lesser than 0.50 level of significant. This indicates that there is a significant relationship between business years of experience and business growth. The reason for this could be that the higher the years of experience the better business feasibility analysis conducted at every stage of the business. New business ventures indeed require extensive feasibility analysis to reveal the business strengths, weaknesses, opportunities and possible threats. The study recommends that intending entrepreneurs and prospective business managers who intends to run a going-concern need to conduct extensive feasibility analysis at every stage of the business to avoid obstacles that could hinder operation due to the complex and dynamic business environment.

**Keywords:** Business, Entrepreneur, Feasibility analysis, and Growth.

### **I. INTRODUCTION**

Creation of new business venture is an indication of economic growth which influences, employment generation and innovation (Acs & Audretsch, 1988; Birch, 1979). In this regard, the entrepreneurial process, as explained by Bygrave and Hofer (1991) which entails activities, functions and duties that involve identification of opportunity, idea formation, and development are very important. These processes become the most research aspect in recent entrepreneurship studies as careful feasibility analysis is vital before committing resources for design and development of new business venture (Mukherjee & Roy, 2017). Comprehensive feasibility analysis is foremost in starting any business venture (Krueger, 1993). The analysis reviews the right attitude and concreteness concerning the success of the idea (Gatewood, Shaver, and Gartner, 1995). Feasibility analysis is directed to ascertaining the viability and practicability of the entire stages of the business venture. Audu (2014) stated that a well drafted feasibility analysis helps the entrepreneur simplify process of operation and increase morale in facing obstacle that may arise in business. The objective of the analysis could be to ascertain the viability of the entire propose investment, plan to expand current business, diversification strategy or as a predictive instrument to forecast the environment of business (Spinelli, Ensign, & Adams, 2015). The analysis could include long-term survival plan that takes care of managing financial resources; and when it comes to the operational aspect, the analysis determines whether the plan has the necessary resources to be practicable.

Feasibility analysis cut across all discipline as it is required by all human activities to evaluate venture viability; be it hospitality management, manufacturing or social impact organizations. The analysis becomes inevitable due to its ability to manage organizational resources, providing road map for operation and identifying strengths, weaknesses opportunities and threats. When evaluating the importance of feasibility analysis, it is clear that majority of large successful businesses conduct feasibility analysis to ensure embarking on viable projects. Venture capitalist does not commit resources to new project until thorough assessment of its viability and probability for success is reviewed. Nicholas and Chinedum (2017) asserted that in Nigeria, many new business ventures failed because, feasibility analysis was based on assumptions due to poor data and inability to manage business uncertainty. Several business ventures in Nigeria does not perform well despite

initial enthusiasm of starting; and others hardly survive first and second year of business operation. The study therefore examines the relationship between feasibility analysis and growth of new business ventures.

## **II. LITERATURE, MATERIALS AND METHODS**

Business growth may include all efforts directed at achieving the main goals of the business. It starts from business idea formation through to achieving the main objective of the business which may also include expansion. The evolution of business venture creation and growth can be traced to the work of Darwin on issues bothering on origin of species which propel the social sciences school of thought that make propositions and explanations about the biology of organization (Padgett & Powell, 2012). This school of thought further stated that the evolution of the business organization shows some similarity with evolution of other organisms which passed through different stages; for example, new organizations appeared and advanced, both theoretically and practically, through a long period of human existence and development (Padgett & Powell, 2012). Business venture creation and growth has been an old germane topic in management study and in developmental research which has been observed to be the core aspect of economic activity that is central to the development of major economy with growing popularity (Cooper, 1970). Creation of organizations and growth are very important aspect of entrepreneurship activity that differentiates non-entrepreneurs from entrepreneurs who acquire the ability to innovate and create new businesses. While entrepreneurs think of innovation and researching into new businesses, non-entrepreneurs are otherwise indifferent but such attitude did not limit business growth from being indispensable topic in national development discussions in recent time. The idea of business growth and viability includes reciprocal action between people that lead to efficient use of resources and this is the core motive of entrepreneurship, which make it inevitable in nation's economy (Venkatraman, 1997). The contribution of people in business creation and growth has also been a subject of importance which has been approached from different perspective over a long period of extensive evaluation to review a better understanding (Shane, 2000). The entrepreneur who creates new business cannot be identified by mere physical qualities that differentiate one person from another. Business creation behaviors are not stable attributes that can easily be noted (Shane & Venkatraman, 2000). This makes building an attitude of knowing how entrepreneurs interact with different situations important to understanding Business growth as one aspect of thinking may be too narrow in its understanding (Shane & Venkatraman, 2000).

The idea of organizing new business could be assembling an ongoing interdependent action into calculated sequences that are objective oriented (Weick, 1979). A new Business is expected to function beyond the year of establishment. It must have the capacity for longevity. The characteristics of new business are set to recognize the multidimensional aspects of new venture creation which include focus on individuals with the needed knowledge, skill and attitude that addresses business success as not contemporarily formulated, but developed over time for specific objectives. New business could be a collection of units that interact together to form unified organization (Miller, 1981). All these are important in describing the business growth as they must be kept in mind as features that make growing business stand out from existing organizations.

In a study to match different entrepreneurs and their entrepreneurship motives to the types of business of interest Cooper and Dunkelberg (1981) stated that business creation can emanate as a result of various motives, and beside motives the nature of business is also a pointer to its formation, as Vesper's (1979) in classifying the entrepreneur, stated that, the nature of firm is a factor in business growth as creating a sole trading firm is different from private and public limited company.

### **Research Methodology**

The study is a survey research; it adopted both descriptive and inferential method of data analysis. The descriptive explain the demographic elements of respondents i.e. age, marital status, level of education, income level and years of experience in business. A descriptive design was adopted because of its effectiveness for collecting and describing in depth information within a reasonable time frame. Besides, regression technique was also used to draw inference. The study was done at the computer village Ikeja Lagos. This location was chosen because of the concentration of new business ventures. The population of the study is the business operators at the computer village Ikeja Lagos. 3000 independent business ventures were identified as the population of the study. The study uses primary data extracted from the application of questionnaire to respondents. The Taro Yamane sampling technique was adopted to determine the total sample size of 353. Purposive sampling technique was applied for the distribution of questionnaire for the study. Four-point Likert response scale was used ranging from 1, strongly agree, 2, agree, 3 disagree and 4 strongly disagree. The instrument used in collecting data from the respondents was divided into two sections; section one contained respondents' demographic characteristics; section two contained questions designed to measure the importance of feasibility study on the success of new business ventures. 300 completed responses were received and used for the study.

**III. RESULTS**

**Table 1: Gender of respondents**

|        | Frequency | Percent | Valid Percent | Cumulative Percent |
|--------|-----------|---------|---------------|--------------------|
| Male   | 206       | 68.7    | 68.7          | 68.7               |
| Female | 94        | 31.3    | 31.3          | 100.0              |
| Total  | 300       | 100.0   | 100.0         |                    |

Source: Field survey, 2022.

Out of 300 respondents, 206 are male, which make up 68.7 percent of respondents and 94 are female which make up 31.3 percent of respondents. This indicates that male respondents are higher than the female respondents.

**Table 2: Marital status of respondents**

|          | Frequency | Percent | Valid Percent | Cumulative Percent |
|----------|-----------|---------|---------------|--------------------|
| Single   | 95        | 31.7    | 31.7          | 31.7               |
| Married  | 146       | 48.7    | 48.7          | 80.3               |
| Divorced | 59        | 19.7    | 19.7          | 100.0              |
| Total    | 300       | 100.0   | 100.0         |                    |

Source: Field survey, 2022.

Out of 300 respondents, 95 are Single which make up 31.7 percent of respondents, 146 are married which make up 48.7 percent of respondents and 59 are divorced which make up 19.7 percent of respondent. This indicates a higher number of married entrepreneurs, followed by singles and lastly divorced respondents.

**Table 3: Business years of experience**

|                    | Frequency | Percent | Valid Percent | Cumulative Percent |
|--------------------|-----------|---------|---------------|--------------------|
| Less than 3 years  | 51        | 17.0    | 17.0          | 17.0               |
| 4 to 7 years       | 63        | 21.0    | 21.0          | 38.0               |
| 8 to 10 years      | 55        | 18.3    | 18.3          | 56.3               |
| 10 years and above | 131       | 43.7    | 43.7          | 100.0              |
| Total              | 300       | 100.0   | 100.0         |                    |

Source: Field survey, 2022.

Out of the 300 respondents, 51 which make up 17 percent of respondents are entrepreneurs with less than 3 years' experience in Business, 63 which make up 21 percent of respondents are entrepreneurs with 4 to 7 years' experience in business. 55 which make up 18.3 percent of respondents are entrepreneurs with 8 to 9 years' experience in Business. 131 which make up 43.7 percent of respondents are entrepreneurs with 10 years and above experience in Business. This shows entrepreneurs with 10 years and above experience are more at the computer village, followed by 4 to 7 years' experience.

**IV. DISCUSSIONS**

**Table 4: Feasibility study does not contribute to business growth.**

|                   | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|-----------|---------|---------------|--------------------|
| Strongly agree    | 3         | 1.0     | 1.0           | 1.0                |
| Agree             | 12        | 4.0     | 4.0           | 5.0                |
| Disagree          | 87        | 29.0    | 29.0          | 34.0               |
| Strongly Disagree | 198       | 66.0    | 66.0          | 100.0              |
| Total             | 300       | 100.0   | 100.0         |                    |

Source: Field survey, 2022.

In table 4 above, 3 respondents which is 1 percent of respondent strongly agree that feasibility analysis do not contribute to business growth. 12 which represent 4 percent agree that feasibility analysis do not contribute to business growth. 87 respondents which represent 29 percent disagree and lastly 198 which represent 66 percent of respondent strongly disagree that feasibility analysis do not contribute to business growth. The above result shows that there is a significant relationship between feasibility analysis and business growth. The percentage of respondent that responded that feasibility analysis indeed contribute to business

growth are 285 out of 300 respondents. This shows that 95 percent respondent affirmed that there is a significant relationship between feasibility analysis and business opportunity and growth.

**Table 5: Coefficients of responses.**

|                               | Unstandardized Coefficients |            | Standardized Coefficients | T      | Sig. |
|-------------------------------|-----------------------------|------------|---------------------------|--------|------|
|                               | B                           | Std. Error | Beta                      |        |      |
| Constant                      | 2.993                       | .190       |                           | 15.716 | .000 |
| Gender of respondents         | .083                        | .091       | .052                      | .906   | .366 |
| Marital status of respondents | .075                        | .060       | .071                      | 1.250  | .212 |
| Business years of experience  | .104                        | .037       | .161                      | 2.815  | .005 |

Dependent Variable: is there any significant relationship between feasibility analysis and business growth?

From table 5 above regression coefficient gender of respondent which has an alpha value of .366 is greater than 5% level of significant and a beta value of .052, which shows no significant relationship between gender of respondent, and business growth. Also, marital status of respondents which have 212 alpha values and a beta value of .071 is greater than 5% level of significant. This indicates no significant relationship between marital status, and business growth. However, business years of experience which have a Beta value of .161 and alpha value of .005 which is lesser than 0.50 5% level of significant shows that there is a significant relationship between business years of experience and business growth. The reason for this could be that the higher the years of experience the better business feasibility analysis may be drafted and well implemented.

**Table 6 Model summary**

| R                 | R Square | Adjusted Square | R | Std. Error of Estimate | Change Statistics |          |     |     |             |   |
|-------------------|----------|-----------------|---|------------------------|-------------------|----------|-----|-----|-------------|---|
|                   |          |                 |   |                        | R Square Change   | F Change | df1 | df2 | Sig. Change | F |
| .190 <sup>a</sup> | .036     | .026            |   | .73177                 | .036              | 3.693    | 3   | 296 | .012        |   |

Predictors: Constant, business years of experience, marital status of respondents, gender of respondents.

From the model summary, using ‘is there any significant relationship between feasibility analysis and business growth as dependent variable against gender, marital status and years of experience as independent variable. R square was found to be .036 while adjusted R square is .026 and this is a clear indication that indeed there is a significant relationship between feasibility analysis and business growth.

**V. CONCLUSION AND RECOMMENDATION**

Findings of the study clearly review feasibility analysis as very significant to the growth of business and efficiency of new venture at the computer village Ikeja Lagos. The study correspond with that of Audu (2014) and Nicholas and Chinedum, (2017), who previously found feasibility analysis to be very important in project and organization performance. New venture indeed requires extensive feasibility analysis that could reveal business strength, weakness, opportunity and threat. This enable entrepreneur to develop strategy for competitive business operation that positions the business to respond appropriately to changes in the environment.

Feasibility analysis is a very important technique in modern business operation, it is by a comprehensive analysis of the internal and external environment of business that strength, weakness, opportunity and threat can be discovered. This clearly indicates that feasibility analysis is a strong tool of strategic management. Base on the importance of feasibility analysis to the success of any business we therefore recommend that entrepreneurs should not commit resources without comprehensive and current feasibility analysis. The present-day environment of business is very volatile; business cannot rely on out dated information. Old data could be misleading; hence there is need for regular analysis to remain competitive in business. It is by an extensive feasibility analysis that new business owner is able to know exactly what it takes to operate a successful business.

Business opportunities are no longer visible to the ordinary business operators. Business now requires critical feasibility analysis to identify opportunity and threat. The trend of change in business is becoming faster than ever, these require a dynamic and flexible structure to avoid being left behind. Thus, to remain competitive in business there is need to develop a structure that is flexible and dynamic. This can only be achieved early when there is a regular feasibility analysis. The analysis equipped the business to gain good control of the

market and identify major market opportunity. New entrepreneurs should endeavor to undertake comprehensive analysis, to enable them overcome initial beginners' problems and remain in business. The new entrepreneur should be careful to avoid mistakes that could take him out of operation. Though, no business is free from risk however with a well drafted feasibility analysis new business owners can take calculated risk that lead to business sustainability and growth.

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