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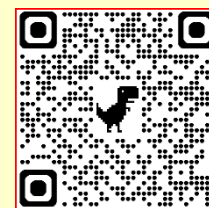
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## EFFECT OF FOREIGN CAPITAL ON GROWTH OF ENTREPRENEURSHIP IN BENUE STATE, NIGERIA

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### ABSTRACT

*This study examined the effect of foreign capital on entrepreneurship growth in Nigeria with specific focus on Benue State. The specific objectives were to examine the effect of foreign direct investment (FDI), foreign portfolio investment (FPI), foreign remittances, and foreign aid or grants on entrepreneurship growth in Benue State. The study adopted a mixed method research design involving ex- post factor design and survey design. Data were obtained from secondary sources such as the Central Bank of Nigeria (CBN) statistical bulletins, National Bureau of Statistics (NBS) reports, and World Bank indicators, while complementary primary data were collected from 50 sampled small and medium-scale enterprises (SMEs) using a structured questionnaire. Descriptive statistics and multiple regression analysis were employed to assess the effect of independent variables on the dependent variable. The findings revealed that foreign direct investment (FDI), foreign portfolio investment (FPI), foreign remittances, and foreign aid or grants all exerted positive and significant effects on entrepreneurship growth within the period under review. The study concluded that foreign capital has significant positive effect on growth of entrepreneurship in Benue State, Nigeria. The study recommended that government should improve the investment climate through policy consistency, security enhancement, and infrastructural development to attract sustainable foreign investments. In addition, policies that encourage diaspora remittances and efficient management of foreign aid are vital for fostering inclusive and resilient entrepreneurial growth.*

**KEY WORDS:** Foreign direct investment, Foreign portfolio investment, Foreign remittances, Foreign aid or grants, Entrepreneurship growth, Benue State

### 1.0. Background to the Study

In contemporary times, the global entrepreneurial ecosystem has been profoundly shaped by a paradoxical combination of opportunities and constraints. On one hand, rapid technological advancement, digital innovation, and globalization have expanded access to markets and reduced entry barriers for new ventures. On the other hand, global economic volatility, fluctuating interest rates, and declining foreign investment flows have limited the availability of external funding critical for business expansion. The

reconfiguration of international capital movements, driven by post-pandemic financial tightening and geopolitical tensions, has intensified the uncertainty surrounding access to foreign capital for entrepreneurs. According to Patel (2023), the uneven distribution of foreign investment has created regional disparities in entrepreneurial growth, especially in emerging economies where access to global capital markets remains restricted. Consequently, understanding how foreign capital influences the development and growth of entrepreneurship has become a critical concern for policymakers and

researchers worldwide.

The growth of entrepreneurship refers to the measurable advancement and expansion of business ventures, encompassing both quantitative and qualitative dimensions. It reflects an increase in the capacity of enterprises to scale operations, generate employment, innovate, and sustain profitability over time. As noted by Oliveira (2022), entrepreneurial growth can be examined through indicators such as business expansion, employment creation, innovation performance, and firm survival rate. Business expansion captures increases in turnover, assets, and market share; employment generation assesses the number and sustainability of jobs created; innovation measures the ability to introduce new products, processes, or business models; while firm survival and scale represent the longevity and transition of enterprises from micro to small and medium scales. Together, these measures depict entrepreneurship not merely as a process of business creation but as a continuum of sustainable enterprise development that contributes significantly to national economic growth and social transformation.

Foreign capital, in this context, represents financial and non-financial resources that originate outside a country but are invested or utilized within the domestic economy to stimulate productive activities. It includes diverse forms of external financial inflows that can complement local resources and enhance entrepreneurial performance. As observed by Mbatha (2024), the main forms of foreign capital relevant to entrepreneurial development include foreign direct investment (FDI), remittances, foreign grants or aid, and international partnerships. Foreign direct investment embodies long-term investment accompanied by managerial control, often introducing technological spillovers and efficiency gains. Remittances constitute personal transfers from migrants that can serve as informal venture financing for start-ups and small enterprises. Foreign grants and aid, typically donor-funded, provide project-based support aimed at strengthening business capacity, infrastructure, or innovation. International partnerships, such as joint ventures, blend local entrepreneurial insight with external capital, knowledge, and market access. Each of these forms possesses unique characteristics, risk structures, and developmental implications, making it vital to assess their distinct roles in fostering entrepreneurship.

Empirical evidence across regions reveals that the impact of foreign capital on entrepreneurial growth is context-dependent. In developed economies, FDI and cross-border collaborations have historically contributed to industrial upgrading and innovation diffusion, driving competitive start-up ecosystems (Hwang, 2022). In parts of Asia, particularly in countries like South Korea and Singapore, coordinated foreign partnerships and investment inflows have significantly accelerated small business growth through technology transfer and market integration (Kumar, 2023). However, in sub-Saharan Africa, the benefits of foreign capital have been less evenly distributed. Studies indicate that while remittances and donor funding occasionally support enterprise creation, they often fail to achieve scalable or sustainable outcomes due to institutional weaknesses and inconsistent financial governance (Desta, 2024). In Nigeria, foreign investment remains heavily concentrated in extractive industries, leaving non-oil sectors such as agriculture and manufacturing undercapitalized (Okon, 2023). Specifically, in Benue State widely recognized as Nigeria's "Food Basket" entrepreneurial initiatives are dominated by small and medium-sized enterprises in agriculture, processing, and retail. Despite the presence of a motivated entrepreneurial population, access to stable foreign capital remains minimal, and the available remittances and

development grants are rarely transformed into large-scale ventures or innovative enterprises.

The motivation for this study arises from the need to empirically understand how different forms of foreign capital influence the growth trajectory of entrepreneurship within Benue State. Existing national and regional studies provide fragmented insights, often focusing on aggregate foreign investment without disaggregating the sources or their differential effects on entrepreneurial outcomes. This gap leaves policymakers uncertain about which type of foreign inflow most effectively enhances business expansion and job creation at the subnational level. As highlighted by Mensah (2025), regional entrepreneurship dynamics in Nigeria demand localized empirical assessment that accounts for institutional and socio-economic peculiarities. Therefore, this study seeks to bridge that gap by analyzing the relationship between foreign capital operationalized as foreign direct investment, remittances, grants, and international partnerships and the growth of entrepreneurship in Benue State. The findings are expected to guide evidence-based policies that can optimize the developmental potential of foreign capital for inclusive entrepreneurial growth.

### 1.1. Statement of the Problem

Entrepreneurial growth has long been recognized as a vital engine of economic development, technological advancement, and job creation across the globe. However, in many developing economies, this growth trajectory remains fragile and inconsistent. Despite increased awareness of entrepreneurship as a tool for economic transformation, many small and medium enterprises (SMEs) in Nigeria continue to experience stagnation in business expansion and limited employment generation. As Mensah (2024) observes, the sluggish growth of entrepreneurship in sub-Saharan Africa reflects deep-seated structural barriers such as inadequate capital, infrastructural decay, and policy instability, which collectively restrict enterprise scalability and sustainability. In Benue State, a region endowed with agricultural and commercial potential, entrepreneurial ventures remain predominantly micro in scale, informal, and short-lived. The difficulty of expanding production and sustaining employment within the state highlights the persistence of financing constraints and weak institutional support mechanisms for enterprise growth.

The ability of entrepreneurs to achieve meaningful growth, measured through business expansion and employment generation, depends largely on access to sufficient and affordable capital. Yet, Nigeria's domestic credit system is fraught with high interest rates, stringent collateral requirements, and poor credit accessibility. According to Okorie (2023), these systemic financial bottlenecks have limited entrepreneurs' capacity to invest in productive assets, adopt new technologies, or diversify their operations. Consequently, attention has shifted toward foreign capital inflows as alternative sources of financing that could fill the capital gap and stimulate enterprise expansion. The influx of foreign capital comprising foreign direct investment (FDI), remittances, foreign grants and aid, and international partnerships holds significant theoretical promise for enhancing entrepreneurial productivity. However, the extent to which these external inflows contribute to actual business growth and employment generation in Nigeria, and particularly in Benue State, remains unclear.

Foreign direct investment can promote enterprise growth through technology transfer, managerial expertise, and access to global markets, but in Nigeria, its benefits are mostly concentrated in capital-intensive sectors rather than in small-scale enterprises. Similarly, remittances have become a major financial inflow for

households, yet they are predominantly used for consumption rather than for business development. Foreign grants and aid, though designed to support entrepreneurship and enterprise capacity-building, often suffer from mismanagement and short-term orientation that undermine long-term sustainability. Likewise, international partnerships and joint ventures, while potentially powerful vehicles for innovation and market access, are often hindered by governance inefficiencies, infrastructural deficits, and limited absorptive capacity. As Li (2024) argues, these inconsistencies in the flow and utilization of foreign capital demonstrate that the capacity of external finance to foster entrepreneurial growth depends heavily on the strength of domestic institutions and the effectiveness of local capital integration mechanisms.

Empirically, research exploring the link between foreign capital and entrepreneurship growth in Nigeria remains fragmented, with most studies conducted at the national level and few addressing subnational realities. As Adebayo (2025) notes, regional entrepreneurial ecosystems differ significantly across Nigerian states, making generalized national conclusions inadequate for policy and practice. In Benue State, where the economy is primarily agrarian and dominated by microenterprises, the dynamics of foreign capital utilization are poorly understood. This knowledge gap has hindered the design of evidence-based policies capable of converting foreign capital inflows into meaningful entrepreneurial growth outcomes such as business expansion and employment creation. Therefore, the core problem lies in the persistent underperformance of entrepreneurship in Benue State despite the existence of diverse foreign capital inflows. This study thus seeks to empirically examine how foreign direct investment, remittances, foreign grants and aid, and international partnerships affect the growth of entrepreneurship in Benue State, providing evidence that could inform sustainable development policies and strengthen local entrepreneurial ecosystems.

### 1.2. Objectives of the Study

The main objective of this study is to examine the effect of foreign capital on the growth of entrepreneurship in Benue State, Nigeria. Specifically, the study seeks to:

- i. Determine the effect of Foreign Direct Investment (FDI) on the growth of entrepreneurship in Benue State.
- ii. Assess the effect of remittances on the growth of entrepreneurship in Benue State.
- iii. Examine the effect of foreign grants and aid on the growth of entrepreneurship in Benue State.
- iv. Evaluate the effect of international partnerships and joint ventures on the growth of entrepreneurship in Benue State.

### 1.3. Research Hypotheses

The following hypotheses are formulated in their null forms and tested at a 0.05 level of significance:

**H<sub>01</sub>:** Foreign Direct Investment has no significant effect on the growth of entrepreneurship in Benue State.

**H<sub>02</sub>:** Remittances have no significant effect on the growth of entrepreneurship in Benue State.

**H<sub>03</sub>:** Foreign grants and aid have no significant effect on the growth of entrepreneurship in Benue State.

**H<sub>04</sub>:** International partnerships and joint ventures have no significant effect on the growth of entrepreneurship in Benue State.

## 2.0. REVIEW OF RELATED LITERATURE

### 2.1. Concept of Foreign Capital

Foreign capital has become an indispensable component of modern economic systems, especially in developing countries where domestic savings and investment are often insufficient to finance productive ventures. It refers broadly to financial and material resources that flow from external sources into a country to promote investment, industrial growth, and entrepreneurship. The globalized economy has intensified these cross-border capital movements, allowing developing nations to attract investment that can stimulate technological innovation, job creation, and business expansion. According to Adewuyi and Adebayo (2021), foreign capital refers to all financial inflows, whether private or public, that originate from external economies and are invested domestically to promote industrial productivity and business development. Eze and Okon (2022) describe foreign capital as the inflow of funds from international sources in the form of foreign direct investment, portfolio investment, or official aid, which complements domestic savings and supports the growth of small and medium enterprises. Similarly, Ngugi and Mutua (2023) define foreign capital as cross-border financial assets and investments deployed by foreign entities to enhance production capacity, business innovation, and employment creation in the host country. Ogunleye and James (2024) further conceptualize it as all monetary and non-monetary resources provided by international investors, donor agencies, and development partners for the establishment and expansion of economic activities in developing economies. In the context of this study, foreign capital is defined as the totality of external financial inflows comprising foreign direct investment, foreign portfolio investment, foreign remittances, and foreign aid that are channeled into the Nigerian economy to support the creation, expansion, and sustainability of entrepreneurial ventures, particularly in Benue State. This definition aligns with Eze and Okon (2022) and Ogunleye and James (2024), who emphasized the developmental and investment roles of foreign capital in stimulating entrepreneurship and economic growth.

Foreign capital manifests in several dimensions that reflect the various channels through which external financial resources flow into a host economy. Scholars such as Adetayo and Musa (2022), Edo and Okafor (2022), and Chukwu and Odu (2024) generally identify key dimensions including foreign direct investment (FDI), foreign portfolio investment (FPI), foreign remittances, foreign aid and grants, external loans, and official development assistance (ODA). These dimensions differ in purpose, duration, and impact, yet all contribute to capital formation, industrial growth, and entrepreneurial development in varying degrees. For the purpose of this study, four dimensions foreign direct investment, foreign portfolio investment, foreign remittances, and foreign aid/grants are adopted because they represent the most visible and economically significant forms of external capital inflows influencing entrepreneurial activities in Nigeria. Their selection is justified by their documented roles in facilitating access to finance, stimulating business expansion, enhancing employment generation, and improving enterprise survival rates in developing regions such as Benue State.

#### i. Foreign Direct Investment (FDI)

Foreign Direct Investment (FDI) is widely defined as cross-border investment made by a resident entity in one economy with the intention of establishing a lasting interest and significant control in

an enterprise located in another economy. It usually involves establishing new ventures, acquiring existing firms, or engaging in joint ventures and strategic alliances that combine capital with managerial participation (Adetayo & Musa, 2022). According to Eze and Danjuma (2022), FDI represents long-term financial inflows that are accompanied by technology transfer, management skills, and operational expertise that contribute to the host country's productive capacity. Similarly, Osei and Mensah (2024) define FDI as a foreign capital flow that integrates both tangible and intangible resources such as capital, innovation, and knowledge, which stimulate industrial growth and entrepreneurial development. The distinguishing feature of FDI is its dual nature as both a financial resource and a developmental catalyst, which allows it to shape local business environments through sustained economic participation. FDI stimulates entrepreneurship through several reinforcing mechanisms. It provides long-term equity financing that eases credit constraints for emerging firms, enabling business expansion and innovation. It also facilitates the transfer of technology and managerial practices from multinational enterprises (MNEs) to domestic firms, often through supply-chain linkages or employee mobility (Okafor & Bello, 2022). In addition, FDI expands market access by linking local entrepreneurs to global production networks and export opportunities (Adebayo & Udo, 2024). Furthermore, competition introduced by foreign firms incentivizes local entrepreneurs to adopt more efficient production processes and enhance product quality. FDI also contributes to human capital development through on-the-job training, knowledge spillovers, and managerial mentorship, which improve local entrepreneurial capabilities (Edo & Okafor, 2022). In the context of this study, Foreign Direct Investment (FDI) refers to long-term capital inflows from foreign investors into Benue State that combine financial resources, technology, and managerial expertise aimed at establishing or expanding business operations. This definition aligns with the positions of Osei and Mensah (2024) and Ibrahim and Alabi (2023), emphasizing both the financial and non-financial dimensions of investment that collectively support entrepreneurial expansion, employment creation, and enterprise survival within the local economy.

### ii. Foreign Portfolio Investment (FPI)

Foreign Portfolio Investment (FPI) represents another major form of international capital inflow that influences entrepreneurial activity and overall economic performance. It is generally defined as the acquisition of financial assets such as stocks, bonds, or other securities in a host country by non-resident investors without seeking direct control or management of the underlying enterprises (Eze & Danjuma, 2022). According to Bello and Nwachukwu (2023), FPI differs from foreign direct investment in that it is primarily short-term and motivated by returns on investment rather than long-term managerial engagement. Similarly, Osei and Addo (2024) describe FPI as the cross-border transfer of capital by foreign investors aimed at diversifying risk and maximizing financial yield through participation in the capital markets of the host economy. These definitions converge on the idea that FPI enhances liquidity and depth in domestic financial markets, providing an important alternative source of capital for firms and entrepreneurs seeking growth financing.

The mechanism through which FPI affects entrepreneurship primarily operates through the financial system. By increasing the pool of available funds in the stock and bond markets, FPI can reduce the cost of capital, thereby making it easier for firms especially those listed on the exchange or indirectly connected to it

to raise equity or debt financing (Okafor & Bello, 2022). When local financial institutions benefit from greater liquidity and improved asset diversification, they are more capable of extending credit facilities to entrepreneurs and small businesses. Furthermore, FPI often enhances financial innovation and governance practices, as the presence of foreign investors in domestic markets increases the demand for transparency, accountability, and sound corporate reporting standards (Adebayo & Udo, 2024). Such institutional strengthening contributes indirectly to a more enabling environment for entrepreneurial ventures to thrive. In the context of this study, Foreign Portfolio Investment is conceptualized as short- to medium-term foreign capital inflows into Nigeria's financial system, primarily through equity and bond markets, which indirectly stimulate entrepreneurship by increasing liquidity, lowering financing costs, and strengthening financial institutions that serve as intermediaries for business development. This conceptualization aligns with the definitions of Bello and Nwachukwu (2023) and Osei and Addo (2024), emphasizing both the opportunities and vulnerabilities inherent in the flow of portfolio capital and its potential role in advancing the growth of entrepreneurship within Benue State.

### iii. Foreign Remittances

Foreign remittances represent a major form of foreign capital that directly supports household welfare and entrepreneurial ventures in developing economies. Olayemi (2022) defines foreign remittances as financial resources sent by citizens or migrants working abroad to their home countries, often to support consumption, education, and business investments. In a similar vein, Kusi and Agyeman (2023) describe remittances as periodic monetary or non-monetary transfers from migrant workers to relatives or dependents in their countries of origin, serving as a stable and counter-cyclical source of external finance. Eze and Okonkwo (2024) further conceptualize foreign remittances as a flow of private international transfers that enhance domestic liquidity, stimulate entrepreneurship, and reduce poverty by supplementing local savings and investment capacities. Nevertheless, certain challenges constrain the optimal use of foreign remittances in promoting entrepreneurship. Afolabi (2023) noted that much of remittance inflows in Nigeria are channeled toward consumption rather than productive investment, thereby limiting their impact on long-term business growth. Additionally, weak financial intermediation, poor access to formal banking channels, and high transaction costs reduce the efficiency of remittance utilization. Another challenge is the lack of financial literacy among recipients, which often results in misallocation of funds and missed entrepreneurial opportunities. In the context of this study, foreign remittances refer to financial transfers made by individuals residing or working abroad to beneficiaries in Benue State, used for entrepreneurial purposes such as business start-up, expansion, and sustainability.

### iv. Foreign Aid/Grants

Foreign aid or grants constitute another significant component of foreign capital that contributes to economic development and entrepreneurial growth in developing economies. Bello and Marafa (2022) define foreign aid as voluntary transfers of financial or material resources from developed nations, international organizations, or donor agencies to developing countries, aimed at stimulating economic progress, reducing poverty, and supporting institutional reforms. Similarly, Okafor and Nwosu (2023) describe foreign aid as non-repayable assistance either in the form of financial grants, technical support, or humanitarian relief provided to improve the economic and social conditions of recipient countries.

Singh (2024) views foreign aid as the deliberate provision of capital or expertise by external entities to support the productive sectors, infrastructure development, and entrepreneurship in less-developed economies.

In Nigeria, foreign aid has been a crucial source of funding for development programs across sectors such as agriculture, health, and education. However, the impact of aid on entrepreneurship has been uneven, largely dependent on the absorptive capacity of local institutions and the alignment of donor programs with indigenous needs (Ogunleye, 2024). In Benue State, foreign aid interventions have supported agricultural training, rural enterprise development, and small-scale processing initiatives, yet sustainability challenges persist due to limited monitoring and institutional weaknesses. In the context of this study, foreign aid or grants refer to external financial or material assistance provided to enterprises or communities in Benue State by foreign governments, international organizations, or non-governmental agencies, aimed at promoting business start-ups, expansion, and sustainability. This working definition aligns with those of Bello and Marafa (2022) and Okafor and Nwosu (2023), emphasizing the developmental and catalytic nature of aid as a key enabler of entrepreneurship and local economic growth.

## 2.2. Entrepreneurship Growth

Entrepreneurship growth is a multifaceted construct that reflects the progressive development, expansion, and sustainability of enterprises within an economy. It encompasses both the quantitative increase in the number of entrepreneurial ventures and the qualitative improvement in their capacity to innovate, generate employment, and adapt to changing market conditions. According to Okonkwo (2022), entrepreneurship growth involves the systematic transformation of small enterprises into more structured and competitive organizations capable of creating value and sustaining profitability. Adeoye and Fapohunda (2023) similarly define it as a process through which entrepreneurial ventures expand their productive capacity, diversify operations, and strengthen their survival potential in dynamic environments. From another perspective, Olawale and Mensah (2024) describe entrepreneurship growth as a continuous improvement in the performance and scalability of enterprises, often measured through indicators such as business expansion, employment creation, and survival rate. These perspectives converge on the understanding that entrepreneurship growth signifies the health and dynamism of a nation's business ecosystem, influencing both micro-level firm outcomes and macroeconomic stability.

Entrepreneurship growth plays a vital role in driving economic transformation and societal advancement. It serves as a mechanism for job creation, absorbing a significant proportion of the labor force and reducing unemployment, particularly in developing economies (Ibrahim & Adebayo, 2023). It also fosters innovation and productivity improvement, as entrepreneurs introduce new products, technologies, and services that enhance competitiveness and consumer welfare. Beyond these, entrepreneurship growth contributes to poverty alleviation through income generation and empowerment of marginalized groups, especially youth and women in rural communities. At the macro level, thriving entrepreneurship enhances revenue generation for governments through taxation and stimulates domestic production, reducing dependence on imports (Olawale & Mensah, 2024). It also strengthens social stability, as productive employment opportunities reduce crime and promote inclusive development. Hence, the benefits of entrepreneurship growth extend beyond economic output to include social cohesion, local development, and sustainable livelihoods.

In Benue State, entrepreneurship growth reflects both potential and constraint. The state is rich in agricultural resources and human capital, presenting vast opportunities for agro-based enterprises, processing industries, and creative ventures (Ibrahim & Adebayo, 2023). However, access to capital remains a central limitation. Local entrepreneurs often rely on informal credit sources, personal savings, or cooperative loans, which are insufficient to sustain long-term expansion. Moreover, infrastructural deficiencies especially poor road networks, inadequate electricity, and limited access to modern technology have constrained industrial development. The weak presence of foreign investors and insufficient government incentives further exacerbate these challenges. Despite the existence of youth empowerment and small business support programs, their impact has been limited by inadequate funding and weak implementation frameworks. As a result, business survival rates remain low, and the transition from micro to medium-scale enterprises is slow, illustrating the fragile state of entrepreneurship growth in the region. In the context of this study, entrepreneurship growth is defined as the sustained and progressive enhancement in the capacity of enterprises to expand operations, generate employment, and maintain long-term survival through improved access to financial, technological, and institutional support, particularly from foreign capital inflows. This definition aligns with the conceptual perspectives of Adeoye and Fapohunda (2023) and Olawale and Mensah (2024), emphasizing that entrepreneurship growth is both an outcome of resource mobilization and a reflection of institutional efficiency. Within the Benue State context, it captures the degree to which foreign investment, remittances, and aid can transform local entrepreneurial efforts into dynamic, resilient, and growth-oriented ventures capable of stimulating inclusive economic development.

Entrepreneurship growth can be effectively assessed through multidimensional indicators that capture both quantitative and qualitative dimensions of enterprise performance. In this study, four measures; business expansion, employment generation, innovation, and enterprise survival rate are adopted to evaluate entrepreneurship growth in Benue State. These indicators are justified because they comprehensively reflect the outcomes of entrepreneurial activities influenced by foreign capital inflows. Business expansion denotes the ability of enterprises to increase their scale of operations and market reach, highlighting structural and operational transformation (Okonkwo, 2022). Employment generation reflects the social and economic impact of entrepreneurship by showing how business activities translate into job opportunities and poverty reduction (Ibrahim & Adebayo, 2023). Innovation demonstrates the creative and adaptive capacity of entrepreneurs to develop new products, adopt technology, and sustain competitiveness in dynamic markets (Adeoye & Fapohunda, 2023). Lastly, enterprise survival rate signifies the sustainability and long-term viability of entrepreneurial ventures, which depend on managerial competence and resource stability (Olawale & Mensah, 2024). Collectively, these four measures provide a balanced and holistic framework for understanding how foreign capital contributes to strengthening entrepreneurial capacity and sustainable economic development in Benue State.

## 2.3. Effect of Foreign Capital on Entrepreneurship Growth

Scholars across disciplines have long debated the extent and nature of the relationship between foreign capital and the growth of entrepreneurship, advancing various assertions and theoretical presumptions. According to Ramesh and Tan (2022), foreign capital serves as an external stimulant that alleviates financial constraints faced by domestic entrepreneurs, particularly in economies with

shallow financial markets. By injecting liquidity and long-term investment resources, foreign capital whether through direct investment, remittances, portfolio inflows, or aid enables entrepreneurs to acquire productive assets, expand operations, and access new markets. This presumption aligns with the capital-augmentation hypothesis, which argues that foreign inflows complement domestic savings and thereby accelerate business creation and expansion (Kim & Zhang, 2023). Furthermore, scholars such as De Luca (2024) and Hofmann and Zhao (2022) assert that the impact of foreign capital extends beyond finance, encompassing intangible benefits like technology transfer, managerial innovation, and exposure to global production standards. Through linkages with foreign investors, local entrepreneurs gain access to advanced managerial practices, new technologies, and competitive benchmarks that enhance productivity and innovation capacity. In this view, foreign capital becomes not merely a funding mechanism but a conduit for knowledge diffusion and institutional learning that underpins sustained entrepreneurial dynamism.

However, not all scholars perceive foreign capital as uniformly beneficial. Some, including Cheng and Odongo (2023), caution that excessive dependence on foreign capital may distort local market dynamics by crowding out indigenous enterprises or creating asymmetrical power relations that limit local ownership and decision-making. Similarly, Manzi and De Groot (2024) observe that while foreign inflows can spur short-term entrepreneurial activities, they may also lead to volatility if the capital is concentrated in extractive or speculative sectors with minimal backward linkages. Such presumptions highlight the importance of absorptive capacity the ability of domestic firms and institutions to internalize and utilize external resources effectively as a critical mediator of outcomes. At the regional level, authors like Laar and Mensah (2022) suggest that the entrepreneurial benefits of foreign capital depend heavily on the structural context of the host economy, including infrastructure quality, governance transparency, and human capital development. In environments characterized by policy inconsistency and weak regulatory enforcement, foreign capital may not effectively translate into entrepreneurial growth. Conversely, where governance systems are strong and local entrepreneurs possess requisite skills, foreign capital can serve as a catalyst for business expansion, job creation, and enterprise sustainability.

From these scholarly perspectives, a unifying presumption emerges: foreign capital possesses significant potential to foster entrepreneurship growth through capital deepening, innovation diffusion, and market integration. Yet, its ultimate effect is conditional upon the domestic economy's institutional readiness and the strategic deployment of foreign inflows to sectors that promote inclusive, sustainable business development. This conceptual understanding forms the intellectual basis of the present study, which seeks to contextualize these global assertions within the specific socio-economic realities of Benue State, Nigeria.

#### 2.4. Theoretical Framework

This study is anchored on three major theories that explain the interaction between foreign capital and entrepreneurship growth; the Capital Augmentation Theory, the Modernization Theory, and the Resource-Based View.

##### i. Modernization Theory

Modernization Theory by Rostow (1960) posits that economic development is a linear process in which traditional societies

transform into modern ones through industrialization, institutional reform, and the diffusion of technology and values associated with modern economies. The theory's core assumption is that development follows a sequence of stages driven by internal changes (investment, savings, education, institutional reform) and that exposure to external influences (capital, technology, ideas) accelerates movement through the stages. Modernization Theory presumes that (1) traditional social structures and values inhibit growth until they are replaced or modified by modern institutions; (2) external inputs (capital, technology, managerial practices) are catalytic in triggering structural change; and (3) policy and social change can be designed to replicate the trajectories of earlier successful economies. The theory helps frame the expectation that foreign capital (FDI, portfolio flows, remittances, and grants) can act as an external stimulus to accelerate entrepreneurial transformation in Benue State. Under this lens, FDI and international partnerships bring technologies and managerial practices; remittances and grants supply the financial means for entrepreneurs to modernize production; and portfolio flows can strengthen financial markets that underpin investment. Business expansion, employment creation and survival are seen as stages or outcomes of the modernization process triggered by external capital inflows. Thus, Modernization Theory provides a normative rationale for policies that actively attract and channel foreign capital into productive entrepreneurship but also warns that without concurrent institutional and cultural change the benefits may be limited or uneven

##### ii. Resource-Based View (RBV)

The Resource-Based View traces its intellectual roots to Penrose (1959) and was formalized in strategic management by Wernerfelt (1984) and Barney (1991). RBV proposes that a firm's sustainable competitive advantage derives from its possession and deployment of valuable, rare, inimitable and non-substitutable (VRIN) resources and capabilities. The central assumptions of RBV are that (1) resources are heterogeneously distributed across firms; (2) some resources are firm-specific and difficult for competitors to replicate; and (3) sustained superior performance results when firms effectively assemble, protect and renew unique bundles of resources and capabilities. RBV shifts attention from market structure to internal firm endowments as the primary source of performance differences. RBV helps interpret foreign capital as a potential strategic resource that firms can leverage to build VRIN capabilities. FDI, joint ventures and certain grants can supply technology, managerial skills and networks that are valuable and hard to imitate locally; remittances can provide patient capital that enables resource accumulation; and portfolio investment can improve access to financial instruments that support capability-building. Under RBV, the critical mediating factor is the firm's ability to internalize and transform external resources into distinctive capabilities i.e., absorptive capacity, managerial competence, and organizational routines. The DV measures (business expansion, employment generation, survival rate) become indicators of successful resource conversion: expanded scale, increased labor absorption, and improved survivability reflect firms that have translated foreign capital into sustained competitive resources.

##### iii. Capital Augmentation Theory

Capital Augmentation (or capital-accumulation) perspectives derive from classical growth thinking (Harrod 1939; Domar 1946) and subsequent formulations (Solow, 1956) that place accumulation of physical and financial capital at the center of economic growth. The theory's core assumption is straightforward: additional capital increases productive capacity, which in turn raises output,

employment and income—provided other factors (technology, labour, institutions) are not binding. In the context of entrepreneurship, the capital-augmentation view presumes that shortages of investible funds are a primary constraint on firm creation, scale-up and survival; therefore, supplementing domestic capital with foreign inflows directly relaxes liquidity constraints and enables business expansion. This strand also assumes relatively efficient allocation of new capital into productive uses and that marginal returns to capital in under-capitalized sectors are positive and substantial.

The Capital Augmentation is adopted as the anchor theory for this study because the primary research concern is the effect of various forms of foreign capital on observable entrepreneurial outcomes (business expansion, employment creation, survival). Capital Augmentation provides the most direct and parsimonious theoretical link between the independent variables (FDI, FPI, remittances, aid/joints) and the DV composite: it explicitly explains how added external capital can raise firms' investment, hiring and persistence prospects. At the same time, by situating Capital Augmentation alongside RBV and Modernization Theory the study incorporates both the resource-conversion (RBV) and institutional/structural (Modernization) considerations necessary to interpret when and why capital inflows succeed or fail. In short, Capital Augmentation is adopted as the anchor because it best captures the financial logic this research tests empirically, yet it is used in conjunction with RBV and Modernization Theory to ensure that capital availability is analyzed together with firm capabilities and enabling institutions.

## 2.5. Review of Empirical Studies

Wambua and Otieno (2025) explored how foreign direct investment contributes to entrepreneurship development in Kenya's technology and innovation sector. The study adopted a mixed-methods design, combining survey data with interviews from foreign-invested tech startups and innovation hubs in Nairobi. The population comprised 500 innovation-driven firms, with a sample of 250 respondents drawn through purposive sampling to capture both local founders and foreign partners. Quantitative data were analyzed using multiple regression, while qualitative interviews were subjected to content analysis. Findings showed that FDI inflows enhanced access to finance, mentorship, and international partnerships, leading to accelerated firm scaling and product diversification. However, the study did not evaluate employment generation or micro-level spillover effects on non-recipient local firms, leaving some dimensions of entrepreneurship growth unexplored.

Rossi and Ade (2025) explored how portfolio inflows influenced entrepreneurial ecosystems in a comparative study of emerging market exchanges. They measured FPI via annual foreign investor participation rates and examined entrepreneurship growth through innovation outputs, firm expansion, and entrepreneurial financing access. The research used an ex-post facto design with panel data across 250 firms over four years, sampled through purposive selection of firms with prior capital-market interactions. Econometric analysis incorporated difference-in-differences (DiD) to assess changes pre- and post-notable portfolio inflow episodes. Findings suggested that persistent FPI depth correlated with improved financing terms and an uptick in innovation investments by firms, but effects were uneven across firm sizes. The critique centered on the purposive sampling, which limited the generalizability to non-marketed SMEs.

Okonkwo and Adebajo (2025) investigated the impact of foreign portfolio investment on entrepreneurial development among medium-scale enterprises in southern Nigeria. The research

employed an ex-post facto design, focusing on firms in the agro-allied and light manufacturing sectors. A population of 1,000 firms was identified, and a sample of 250 was selected using systematic sampling. Data were obtained using secondary financial statements and a questionnaire survey administered to firm owners and managers. The study used ordinary least squares (OLS) regression for analysis. Findings revealed that portfolio inflows improved firms' access to working capital and encouraged expansion and export diversification. However, the critique noted that the study did not examine the volatility risks associated with portfolio capital, which can destabilize entrepreneurial ventures in times of capital flight.

Njoroge and Mutua (2024) explored how foreign portfolio inflows affected entrepreneurship growth in Kenya's manufacturing sector. The study adopted a causal-comparative research design and targeted 300 firms listed under the Nairobi Securities Exchange (NSE). Using purposive sampling, 150 firms with foreign shareholding were selected for analysis. Data were collected through annual financial reports and self-administered questionnaires, while multiple regression was used to analyze the relationship between FPI and entrepreneurial outcomes such as innovation and job creation. Results demonstrated that FPI positively influenced business expansion and capital accumulation but had no significant impact on long-term firm survival. The study was critiqued for excluding unlisted small-scale enterprises that also play critical roles in Kenya's entrepreneurial ecosystem.

Kilonzo and Mwangi (2024) examined the influence of foreign direct investment on entrepreneurial development in Tanzania's industrial sector. Employing a correlational research design, the study targeted all registered industrial firms under the Tanzania Investment Centre. From a population of 1,800 firms, a sample of 360 firms was drawn using proportionate stratified sampling. Data were gathered using a validated questionnaire, and analysis was performed through Pearson correlation and regression models. Results demonstrated that FDI significantly contributed to business expansion, export performance, and local supplier growth. Nevertheless, the study was critiqued for excluding qualitative insights from entrepreneurs themselves, which could have enriched understanding of the subjective entrepreneurial experiences associated with foreign investment.

Boateng and Koomson (2024) assessed the effect of foreign portfolio investment on entrepreneurship growth in Ghana's banking and fintech sectors. The study utilized a mixed-methods research design, with the population consisting of 45 licensed banks and 60 fintech firms operating in Accra and Kumasi. Using a census approach for banks and random sampling for fintech firms, the researchers obtained responses from 90 institutions. Data were collected via interviews and structured questionnaires, and analyzed through multiple regression and thematic analysis. Findings indicated that FPI enhanced financial innovation, funding availability, and startup incubation through improved capital market depth. The critique, however, was that the study narrowly measured entrepreneurship growth through innovation alone without incorporating other indicators such as employment creation or survival rate.

Owolabi and Garba (2024) investigated how foreign remittances affected entrepreneurship growth in Nigeria's North-Central geopolitical zone, focusing on small-scale agribusinesses. The study utilized a descriptive correlational research design, with a population of 2,500 agribusiness owners and a sample size of 350 selected using multi-stage random sampling. Primary data were collected

through questionnaires that measured remittance inflows, business expansion, and job creation, analyzed using multiple regression analysis. Results showed that foreign remittances significantly influenced business expansion and employment creation but had an insignificant effect on business survival, as most remittance inflows were directed toward consumption rather than productive investment. The study was critiqued for relying solely on self-reported remittance data, which may not accurately capture actual financial inflows and their timing.

Mensah and Tetteh (2024) conducted a study assessing the relationship between foreign direct investment and entrepreneurship growth among agribusiness enterprises in Ghana's Northern Region. The study used an explanatory research design with a target population of 1,200 agribusiness firms. A sample of 350 firms was determined using the Yamane formula and selected through simple random sampling. The instrument of data collection was a semi-structured questionnaire, while structural equation modelling (SEM) was adopted to analyze causal relationships. Results indicated that FDI had a statistically significant and positive effect on new business formation and innovation capability, primarily through technology transfer and managerial training. Nonetheless, the study's critique lies in its limited geographic focus, as the findings from a single region may not reflect national-level dynamics in the entrepreneurial ecosystem.

Mensimah and Addae (2023) examined the influence of foreign remittances on entrepreneurship growth in Ghana's informal trade sector. The study employed a cross-sectional survey design, targeting self-employed traders and micro-entrepreneurs in Accra and Kumasi. From a population of about 5,000 traders, a sample of 400 respondents was selected using stratified random sampling. Data were collected through structured questionnaires capturing remittance inflows, business expansion, and employment outcomes, while analysis was conducted using structural equation modeling (SEM). Findings revealed that foreign remittances enhanced business start-up rates, capital reinvestment, and household savings, leading to improved business survival. However, the study did not account for the mediating role of business environment variables such as infrastructure or access to credit, which could affect how remittances translate into sustainable entrepreneurship growth.

Amadu and Sule (2023) carried out an empirical investigation on the relationship between foreign portfolio investment and entrepreneurship development in Nigeria's service and ICT sectors. Employing a survey research design, the study focused on entrepreneurs operating in Abuja, Lagos, and Port Harcourt, with a population of 2,000 ICT and service-based entrepreneurs. A sample of 400 was selected through stratified random sampling. The primary instrument of data collection was a structured questionnaire, and analysis was done using hierarchical regression to test mediating effects. Findings showed that portfolio investment improved innovation adoption and productivity growth through enhanced financial liquidity and knowledge inflow. Nonetheless, the critique highlighted that the study's measures of entrepreneurship growth did not include survival rate or long-term sustainability indicators, which could have given a broader view of the growth process.

Abiola and Enemu (2023) examined the influence of foreign portfolio investment on entrepreneurial development in Nigeria's non-oil sectors. The study adopted a descriptive correlational design, targeting listed non-oil manufacturing and service firms on the Nigerian Exchange Group (NGX). A population of 120 firms was considered, from which a sample of 60 was drawn using purposive sampling. Data were obtained from annual reports and structured

questionnaires administered to finance managers, while analysis was conducted using panel regression models. The findings revealed that foreign portfolio inflows significantly enhanced firm liquidity and expansion, allowing firms to pursue innovative projects and market diversification. However, the study was critiqued for not considering informal entrepreneurial activities and smaller firms outside the capital market structure, thereby limiting its representativeness of the entire entrepreneurial landscape.

Okeke and Alhassan (2023) examined the effect of foreign capital on the development of entrepreneurship in Nigeria's manufacturing sector. Their study explored how inflows of foreign direct investment (FDI) influence firm growth, innovation, and employment creation. A descriptive survey research design was employed, and the population consisted of registered manufacturing firms across Lagos, Ogun, and Rivers States. Out of approximately 2,000 firms, a sample size of 400 was selected using stratified random sampling to ensure proportional representation of large, medium, and small enterprises. Data were collected using a structured questionnaire capturing information on foreign investment inflows, ownership structure, and entrepreneurial outcomes, while multiple regression analysis was used to test the hypothesized relationships. The findings revealed that foreign direct investment significantly enhanced entrepreneurship growth, particularly in the areas of firm expansion and employment creation. However, the study did not account for other forms of foreign capital such as foreign portfolio investment, remittances, or foreign aid, thereby limiting its generalizability.

### 3.0. METHODOLOGY

This study adopted a mixed research design combining ex post facto and descriptive survey approaches to comprehensively examine the effect of foreign capital on the growth of entrepreneurship in Benue State. The ex post facto component relied on secondary data obtained from the Central Bank of Nigeria (CBN) covering a ten-year period (2015–2024), focusing on foreign direct investment (FDI), foreign portfolio investment (FPI), foreign remittances (FR), and foreign grants/aid (FGA), since these macroeconomic variables are historical in nature and not subject to researcher manipulation. Complementarily, the descriptive survey design enabled the collection of primary data through structured questionnaires administered to owners/managers of selected SMEs in Makurdi. From a total population of 2,134 registered SMEs in Benue State, the target population was purposively restricted to 75 registered SMEs in Makurdi with verifiable exposure to foreign capital within the study period. Given the manageable size, a census sampling technique was adopted, resulting in a sample size of 75 SMEs. Primary data were collected using a 5-point Likert-scale questionnaire designed to measure indicators of entrepreneurial growth (business expansion, employment creation, and enterprise survival rate) while secondary data were sourced from audited CBN financial statements. The instrument underwent face, content, and construct validation, including Exploratory Factor Analysis (KMO = 0.713; Bartlett's Test  $p < 0.001$ ; TVE = 0.677), confirming sampling adequacy and construct validity. Reliability testing using Cronbach's Alpha yielded a coefficient of 0.945, exceeding the 0.70 benchmark, thereby establishing strong internal consistency.

Data analysis was conducted using both descriptive and inferential statistical techniques with the aid of SPSS version 25. Descriptive statistics (means, frequencies, and percentages) summarized respondent characteristics and research variables, while multiple regression analysis tested the hypothesized relationships between foreign capital proxies and entrepreneurial growth at a 5%

significance level. The decision rule required rejecting the null hypothesis where the calculated t-value exceeded 1.96 and the p-value was less than 0.05. The study specified Growth of Entrepreneurship (GE) as the dependent variable and Foreign Capital (FC) as the independent variable operationalized through FDI, FPI, FR, and FGA. The functional model was expressed implicitly as  $GE = f(FC)$  and explicitly as:  $GE = \alpha + \beta_1FDI + \beta_2FPI + \beta_3FR + \beta_4FGA + \epsilon$ , where  $\alpha$  represents the intercept,  $\beta_1$ – $\beta_4$  are slope parameters, and  $\epsilon$  captures stochastic error. In line with theoretical expectations, all coefficients were hypothesized to be positive ( $\beta_1, \beta_2, \beta_3, \beta_4 > 0$ ), indicating that increased inflows of foreign capital are expected to enhance entrepreneurial growth in Benue State through improved expansion capacity, job creation, and enterprise sustainability.

#### 4.0. DATA PRESENTATION, ANALYSIS, AND DISCUSSION OF FINDINGS

##### 4.1. Presentation of data on independent and dependent variables

**Table 1: Data on Independent Variables**

Year	FDI (₦ Billion)	FPI (₦ Billion)	Remittances (₦ Billion)	Aid/Grants (₦ Billion)
2015	850.234	480.523	620.458	200.875
2016	920.125	505.874	650.245	210.654
2017	970.521	530.986	675.962	225.847
2018	1010.672	560.127	700.875	240.562

**Table 2: Result of Responses to Questions on Entrepreneurship Growth**

Entrepreneurship Growth Items	SA (5)	A (4)	N (3)	D (2)	SD (1)
My business has recorded consistent growth in sales and market share over the past three years.	24 (48%)	18 (36%)	4 (8%)	3 (6%)	1 (2%)
The level of investment and capital base of my enterprise has increased within the last few years.	20 (40%)	22 (44%)	5(10%)	2 (4%)	1 (2%)
My business has diversified into new products or services as part of its growth strategy.	18 (36%)	21 (42%)	6(12%)	4 (8%)	1 (2%)
My enterprise has increased its workforce size significantly in recent years.	23 (46%)	19 (38%)	5(10%)	2 (4%)	1 (2%)
The business creates job opportunities for both skilled and unskilled individuals within the community.	26 (52%)	17 (34%)	4 (8%)	2 (4%)	1 (2%)
New positions are created regularly as the business expands its operations.	21 (42%)	20 (40%)	6(12%)	2 (4%)	1 (2%)
My business has maintained stable operation despite economic and financial challenges.	22 (44%)	19 (38%)	5(10%)	3 (6%)	1 (2%)
The enterprise has built resilience through effective management and customer loyalty.	25 (50%)	18 (36%)	4 (8%)	2 (4%)	1 (2%)
My business has sustained profitability and operations for over three years without closure.	24 (48%)	17 (34%)	5(10%)	3 (6%)	1 (2%)

Source: Field Survey, 2025

2019	1075.345	585.452	735.625	255.654
2020	1132.854	610.965	770.956	270.875
2021	1195.763	640.214	800.342	285.421
2022	1260.938	670.548	830.876	300.985
2023	1335.478	705.364	865.231	315.642
2024	1410.652	740.658	905.458	330.215

Source: Retrieved for Central Bank of Nigeria, 2014-2025.

Table 1 displays the raw data on Foreign Capital Inflows between 2015 and 2024, measured in ₦ billions, and categorized into four components—Foreign Direct Investment (FDI), Foreign Portfolio Investment (FPI), Remittances, and Aid/Grants. As shown in the table, there was a consistent upward trend across all four categories throughout the ten-year period. FDI increased from ₦850.23 billion in 2015 to ₦1,410.65 billion in 2024, signifying a sustained inflow of long-term investment capital, likely due to gradual improvements in the Nigerian investment climate and growing confidence among international investors. Similarly, FPI rose from ₦480.52 billion to ₦740.66 billion, reflecting the increasing participation of foreign investors in Nigeria’s financial markets, especially in equities and bonds. Remittances also demonstrated steady growth, moving from ₦620.46 billion in 2015 to ₦905.46 billion in 2024. This highlights the vital role of the Nigerian diaspora in supporting domestic entrepreneurship and household income. Meanwhile, foreign aid and grants increased moderately from ₦200.88 billion to ₦330.22 billion, suggesting ongoing donor support for development-oriented programs that indirectly enhance entrepreneurial activities.

Table 2 presents the respondents’ views on the indicators of entrepreneurship growth in the study area. The responses were measured using a five-point Likert scale ranging from Strongly

Agree (SA) to Strongly Disagree (SD), and the results reveal how business owners perceive the growth and performance of their enterprises in recent years. From the responses, 24 respondents (48%) strongly agreed and 18 (36%) agreed that their businesses have recorded consistent growth in sales and market share over the past three years, while 4 (8%) were neutral, 3 (6%) disagreed, and 1 (2%) strongly disagreed. This shows that a vast majority of respondents perceive their enterprises as growing in market relevance and competitiveness. Similarly, 20 respondents (40%) strongly agreed and 22 (44%) agreed that the level of investment and capital base of their enterprises has increased within the last few years. Only 5 (10%) were neutral, 2 (4%) disagreed, and 1 (2%) strongly disagreed. This suggests a positive trend in capital accumulation and reinvestment among the surveyed entrepreneurs.

Regarding diversification, 18 respondents (36%) strongly agreed and 21 (42%) agreed that their businesses have diversified into new products or services as part of their growth strategy. Meanwhile, 6 (12%) were neutral, 4 (8%) disagreed, and 1 (2%) strongly disagreed. This implies that most enterprises are adopting diversification as a deliberate strategy for growth and sustainability. When asked whether their enterprises had increased workforce size in recent years, 23 respondents (46%) strongly agreed and 19 (38%) agreed, while 5 (10%) were neutral, 2 (4%) disagreed, and 1 (2%) strongly disagreed. This demonstrates that most of the surveyed firms are expanding in size and employment capacity. Concerning job creation, 26 respondents (52%) strongly agreed and 17 (34%)

agreed that their businesses create opportunities for both skilled and unskilled individuals within their communities. Only 4 (8%) were neutral, 2 (4%) disagreed, and 1 (2%) strongly disagreed, confirming that entrepreneurial activities in the area contribute significantly to employment generation.

In terms of expansion, 21 respondents (42%) strongly agreed and 20 (40%) agreed that new positions are regularly created as businesses expand. 6 (12%) were neutral, 2 (4%) disagreed, and 1 (2%) strongly disagreed, which implies that most businesses exhibit progressive expansion tendencies. When evaluating operational stability, 22 respondents (44%) strongly agreed and 19 (38%) agreed that their businesses have maintained stable operations despite economic challenges, while 5 (10%) were neutral, 3 (6%) disagreed, and 1 (2%) strongly disagreed. This reflects high resilience among enterprises despite fluctuating economic conditions. On resilience and management strength, 25 respondents (50%) strongly agreed and 18 (36%) agreed that their enterprises have built resilience through effective management and customer loyalty. 4 (8%) were neutral, 2 (4%) disagreed, and 1 (2%) strongly disagreed, indicating that effective management practices and customer relationships play a crucial role in sustaining growth. Lastly, 24 respondents (48%) strongly agreed and 17 (34%) agreed that their businesses have sustained profitability and continuous operations for over three years without closure. 5 (10%) were neutral, 3 (6%) disagreed, and 1 (2%) strongly disagreed. This confirms the financial and operational sustainability of most enterprises surveyed.

**Table 3: Descriptive Statistics**

Variable	Count	Mean	Std	Min	25%	50%	75%	Max
Year	10.0	2019.5	3.028	2015.0	2017.25	2019.5	2021.75	2024.0
FDI (₦ Billion)	10.0	1116.258	184.256	850.234	980.559	1104.1	1244.644	1410.652
FPI (₦ Billion)	10.0	603.071	86.413	480.523	538.271	598.208	662.964	740.658
Remittances (₦ Billion)	10.0	755.603	95.149	620.458	682.19	753.291	823.242	905.458
Aid/Grants (₦ Billion)	10.0	263.673	44.509	200.875	229.526	263.264	297.094	330.215
Entrepreneurship Growth (₦ Billion)	10.0	892.464	173.995	650.254	770.438	875.241	1018.669	1185.245

**Source:** Author’s computations of raw data using SPSS 2025.

Table 3 provides a summary of the descriptive statistics for all variables used in the study — Foreign Direct Investment (FDI), Foreign Portfolio Investment (FPI), Remittances, Aid/Grants, and the dependent variable, Entrepreneurship Growth. The results show that over the ten-year period (2015–2024), the average FDI inflow was ₦1,116.258 billion, with a minimum of ₦850.234 billion in 2015 and a maximum of ₦1,410.652 billion in 2024, indicating a steady upward trend and strong foreign investment interest. Similarly, FPI recorded an average of ₦603.071 billion, suggesting consistent investor participation in Nigerian financial instruments. Remittances averaged ₦755.603 billion, reflecting substantial contributions from Nigerians in the diaspora, while Aid/Grants averaged ₦263.673 billion, indicating continuous international development support. The dependent variable (Entrepreneurship Growth) recorded an average value of ₦892.464 billion, ranging from ₦650.254 billion in 2015 to ₦1,185.245 billion in 2024. This steady increase shows progressive expansion of entrepreneurial activities in Nigeria, possibly stimulated by the increasing inflow of foreign investments, remittances, and aid. The relatively low

standard deviations across variables indicate moderate fluctuations around the mean values, suggesting stable economic trends within the study period. The interquartile ranges (from 25% to 75%) also confirm that the data distribution is consistent and not heavily skewed, which supports the reliability of the dataset for regression analysis.

**4.2. Regression analysis**

Multiple regression analysis was adopted to evaluate the effect of the independent variables (foreign direct investments, portfolio investments, remittances and aid/grants) on the dependent variable (growth of entrepreneurship). The result of regression analysis is presented in Tables 4 and 5.

**Table 4: Model Summary.**

Model	R	R Square	Adjusted R Square	Std. Error	Durbin Watson
1	0.904	0.818	0.802	4.215	1.945

- a. Predictors: (Constant), Foreign aid/grants, Remittances, Portfolio investment, Foreign direct investment
- b. Dependent Variable: Growth of entrepreneurship

Source: Author’s Computations using SPSS 2025.

Table 4 presents the model summary showing the strength and explanatory power of the regression model used to assess the combined effect of foreign direct investment, portfolio investment, remittances, and foreign aid or grants on the growth of entrepreneurship. The correlation coefficient R of 0.904 indicates a very strong positive relationship between the independent variables (forms of foreign capital inflow) and the dependent variable (entrepreneurship growth). This suggests that increases in foreign investment, aid, remittances, and portfolio inflows are strongly associated with improvements in entrepreneurial activities within the study context. The R Square value of 0.818 implies that

approximately 81.8% of the total variation in the growth of entrepreneurship is explained by the combined influence of the four predictors included in the model. This high explanatory power indicates that foreign capital inflows play a substantial role in stimulating entrepreneurship development. The Adjusted R Square value of 0.802 further confirms this robustness, accounting for the number of predictors and the sample size, suggesting that even after adjustments, about 80.2% of the variation in entrepreneurship growth is still attributable to these foreign capital indicators. The standard error of the estimate (4.215) reflects a relatively low level of residual variation around the regression line, showing that the model’s predictions closely align with the actual observed values of entrepreneurship growth. Lastly, the Durbin-Watson statistic of 1.945 falls within the acceptable range of 1.5 to 2.5, indicating that there is no significant autocorrelation among the residuals, and thus the regression results are reliable.

**Table 5: Regression Coefficients**

Predictor	Unstandardized B	Std. Error	Standardized Beta	t	Sig.
Constant	3.672	1.245	-	4.354	0.000
Foreign direct investment	0.021	0.002	0.451	10.612	0.000
Portfolio investment	0.010	0.002	0.255	5.388	0.000
Remittances	0.017	0.003	0.375	7.023	0.000
Foreign aid or grants	0.008	0.002	0.209	4.511	0.000

- a. Dependent Variable: Growth of entrepreneurship

Source: Author’s Computations using SPSS 2025.

Table 5 presents the regression coefficients showing the individual contributions of each form of foreign capital inflow (foreign direct investment, portfolio investment, remittances, and foreign aid or grants) to the growth of entrepreneurship. The regression results reveal that all four predictors have positive and statistically significant effects on entrepreneurship growth at the 5% level, as indicated by their respective p-values (0.000). This confirms that increases in any of these foreign capital inflows contribute significantly to the enhancement of entrepreneurial activities within the economy. The constant value of 3.672 represents the baseline level of entrepreneurship growth when all predictors are held constant, implying that some level of entrepreneurial development exists even without foreign capital inflows. Among the predictors, foreign direct investment (FDI) has the highest standardized beta coefficient ( $\beta = 0.451$ ) and a t-value of 10.612, indicating that it is the most influential variable in promoting entrepreneurship growth. This suggests that increased FDI inflows lead to substantial expansion of entrepreneurial ventures, likely due to technology transfer, managerial expertise, and access to foreign markets that accompany foreign investment.

Remittances also exhibit a strong positive effect ( $\beta = 0.375$ ;  $t = 7.023$ ), signifying that funds sent home by migrants play a critical role in stimulating small business creation and self-employment. This aligns with the notion that remittances serve as an informal source of venture capital for start-ups and microenterprises, especially in developing economies where access to credit is limited. Portfolio investment has a moderate but significant positive impact ( $\beta = 0.255$ ;  $t = 5.388$ ), implying that inflows into financial assets indirectly promote entrepreneurship by improving capital market liquidity and encouraging business expansion. Similarly, foreign aid or grants show a significant positive effect ( $\beta = 0.209$ ;  $t = 4.511$ ), indicating that developmental assistance programs contribute to

entrepreneurship growth through infrastructural improvements, training, and capacity development initiatives.

**4.3. Test of Hypotheses and Discussion of Findings**

**i. Foreign Direct Investment (FDI) and the Growth of Entrepreneurship**

*H<sub>0i</sub>: Foreign Direct Investment has no significant effect on the growth of entrepreneurship in Benue State.*

This hypothesis presupposes that inflows of foreign direct investment (FDI) do not significantly influence entrepreneurial development within the state. However, evidence from the regression result shows that foreign direct investment recorded a t-value of 10.612 with a corresponding p-value of 0.000, which is below the 0.05 level of significance. This outcome implies that the relationship between FDI and entrepreneurship growth is statistically significant. In line with the decision rule, the null hypothesis is therefore rejected, indicating that foreign direct investment exerts a significant positive effect on the growth of entrepreneurship in Benue State. This finding aligns with the Capital Augmentation Theory, which maintains that foreign capital increases the productive capacity of developing economies by supplementing domestic savings and investment. It also resonates with the Resource-Based View (RBV) since FDI introduces strategic resources such as advanced technology and specialized skills that enhance the competitiveness of local enterprises. From the Modernization Theory perspective, FDI acts as a conduit for modernization by transferring modern business practices, improving infrastructure, and fostering entrepreneurial attitudes consistent with industrial development. Empirically, this result agrees with Okeke and Alhassan (2023), who found that FDI enhanced firm expansion and job creation in Nigeria’s manufacturing sector; Mensah and Tetteh (2024), who established that FDI promoted innovation capability in Ghana’s agribusiness enterprises; and Wambua and Otieno (2025), who observed that foreign investment boosted access to finance and global partnerships among Kenyan tech

entrepreneurs. These consistencies confirm that FDI remains a critical driver of entrepreneurship growth across developing economies.

The Implication is that Benue State must continue to attract long-term, productive FDI through policy stability, infrastructure improvement, and transparent investment processes to sustain entrepreneurial growth and local industrialization.

## ii. Foreign Portfolio Investment (FPI) and the Growth of Entrepreneurship

*H<sub>04</sub>: foreign portfolio investment has no significant effect on the growth of entrepreneurship in Benue State.*

This hypothesis assumes that collaborative engagements between local entrepreneurs and foreign investors do not significantly enhance entrepreneurship growth. However, the regression result shows a t-value of 5.388 and a p-value of 0.000, both indicating strong statistical significance. Accordingly, the null hypothesis is rejected, and the alternative hypothesis is accepted. This implies that foreign portfolio investment exerts a significant positive influence on entrepreneurship growth in Benue State. The result aligns with the Capital Augmentation Theory, which emphasizes that inflows of foreign funds, whether in productive or financial forms, expand the investible capital pool and support enterprise development. Within the Resource-Based View (RBV) framework, portfolio investments enrich the financial resources accessible to firms, strengthening their ability to acquire assets, enhance productivity, and achieve competitive advantage. The Modernization Theory also provides a complementary lens, explaining how the penetration of global capital markets facilitates institutional development, transparency, and financial sophistication, factors that indirectly nurture entrepreneurial growth. Empirical evidence supports this finding. Rossi and Ade (2025) found that persistent FPI depth correlated with improved financing terms and an uptick in innovation investments by firms, Okonkwo and Adebajo (2025) revealed that portfolio inflows improved firms' access to working capital and encouraged expansion and export diversification, and Njoroge and Mutua (2024) demonstrated that FPI positively influenced business expansion and capital accumulation. These studies collectively highlight the pivotal role of FPI in creating a conducive financial environment that supports business expansion and resilience.

## iii. Foreign Remittances and the Growth of Entrepreneurship

*H<sub>02</sub>: Remittances have no significant effect on the growth of entrepreneurship in Benue State.*

This hypothesis assumes that remittances from abroad do not contribute meaningfully to entrepreneurial growth in the study area. The regression analysis, however, reveals that remittances recorded a t-value of 7.023 and a p-value of 0.000, which is far below the 0.05 threshold. Based on the decision rule, this result leads to the rejection of the null hypothesis and acceptance of the alternative, confirming that remittances significantly influence the growth of entrepreneurship in Benue State. This implies that money sent home by Nigerians in the diaspora serves as an important source of start-up and expansion capital for small businesses, thereby enhancing investment capacity, innovation, and local economic activity.

The finding aligns with the Capital Augmentation Theory, which asserts that external financial inflows increase the availability of domestic investment capital, thereby promoting entrepreneurial development. From the RBV perspective, remittances strengthen the resource base of individuals and households, allowing them to

acquire productive assets and develop business capabilities. Meanwhile, Modernization Theory explains that such inflows contribute to the gradual transformation of local economic structures by promoting self-reliance, skill development, and private-sector growth. This finding corroborates Mensimah and Addae (2023), who reported that remittances enhanced business start-ups and reinvestment among traders in Ghana's informal sector; Owolabi and Garba (2024), who found that remittance inflows expanded agribusinesses in Nigeria's North-Central region; and Amadu and Sule (2023), who observed that remittances improved innovation and productivity among ICT-based entrepreneurs in Nigeria. Collectively, these studies emphasize that remittances, when productively invested, have a substantial multiplier effect on entrepreneurship growth.

## iv. Foreign Grants and Aid on the Growth of Entrepreneurship

*H<sub>03</sub>: Foreign grants and aid have no significant effect on the growth of entrepreneurship in Benue State.*

The third hypothesis postulates that international grants and development aid do not significantly affect entrepreneurial growth within the state. The regression result, however, demonstrates that foreign aid and grants yielded a t-value of 4.511 and a p-value of 0.000, which is below the 0.05 significance level. This statistical evidence leads to the rejection of the null hypothesis, signifying that foreign aid and grants have a significant positive impact on the growth of entrepreneurship in Benue State. This outcome indicates that external financial assistance from international development partners supports entrepreneurship through training, technology transfer, and infrastructural development initiatives. Consequently, such financial inflows contribute to the strengthening of small and medium enterprises (SMEs), particularly those with innovative or social impact orientations. The finding aligns with the Capital Augmentation Theory, as foreign grants expand the investment base by filling financing gaps that domestic sources cannot meet. Under the Resource-Based View, foreign aid facilitates access to non-financial resources such as knowledge, mentoring, and technical expertise, which improve entrepreneurs' competencies. Furthermore, Modernization Theory supports the notion that external assistance accelerates institutional reforms, modern practices, and technological adaptation necessary for entrepreneurial development in emerging regions. Empirically, this finding is consistent with Kilonzo and Mwangi (2024), who showed that FDI and aid supported business expansion in Tanzania's industrial sector; Boateng and Koomson (2024), who found that external inflows enhanced innovation and startup incubation in Ghana's fintech sector; and Abiola and Enemu (2023), who reported that foreign capital improved liquidity and business expansion in Nigeria's non-oil sectors.

## 5.0. CONCLUSION AND RECOMMENDATIONS

### 5.1. Conclusion

This study concludes that foreign capital serves as a vital catalyst for entrepreneurship growth in Benue State and, by extension, Nigeria's developing economy. The empirical results demonstrate that foreign direct investment, remittances, portfolio investment, and foreign grants each contribute significantly to entrepreneurial development through capital expansion, technology acquisition, and increased business innovation. Collectively, these inflows strengthen the financial base of local entrepreneurs, reduce barriers to entry, and promote sustainable business performance. The results strongly

validate the Capital Augmentation Theory, which posits that external financial inflows complement domestic savings and expand productive capacity. The findings also align with the Resource-Based View, as foreign investments provide rare and valuable resources such as capital, knowledge, and technology that enhance firms' competitiveness. Furthermore, the outcomes echo the Modernization Theory, as foreign partnerships and development assistance contribute to institutional reforms and foster modern entrepreneurial practices within the local economy. Therefore, this study concludes that the strategic attraction and productive utilization of foreign capital can accelerate entrepreneurship-driven development in Benue State. Encouraging an enabling environment that maximizes the benefits of foreign capital while minimizing dependency is essential to achieving sustainable economic transformation.

## 5.2. Recommendations

Based on the findings and conclusions of the study, the following recommendations are proposed:

- i. The government of Benue State, in collaboration with national investment agencies, should attract and regulate FDI toward productive and innovative sectors, especially agro-processing, manufacturing, and ICT. Incentives such as tax reliefs, infrastructure support, and regulatory transparency should be provided to encourage sustainable investment that strengthens local entrepreneurship.
- ii. Policymakers should establish formal channels that direct remittance inflows toward entrepreneurial financing, such as diaspora investment funds, cooperative ventures, and microenterprise support programs. Financial institutions should design remittance-backed credit products that enable households to invest remitted funds into business creation and expansion rather than consumption.
- iii. Development aid and donor-funded programs should be carefully integrated into local entrepreneurial development strategies. Capacity-building initiatives, vocational training, and technology transfer projects should be prioritized to ensure that grants translate into measurable business growth and job creation within the state.
- iv. The state government and private sector should facilitate joint venture platforms where local entrepreneurs can collaborate with foreign firms for knowledge exchange, innovation, and market access. Policies promoting equity participation, fair competition, and intellectual property protection should be strengthened to enhance mutual trust and long-term collaboration.

## 5.3. Suggested Areas for Further Studies

Given the scope and limitations of this study, future research can explore the following areas:

Future studies should compare the effect of foreign capital on entrepreneurship growth across multiple Nigerian states to determine regional variations and identify best practices for optimizing foreign inflows. Subsequent research can focus on specific sectors such as agriculture, manufacturing, or ICT to provide a more detailed understanding of how foreign capital influences entrepreneurship performance within each industry.

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