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Theory of Controlled Appetite

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Abstract:

The orientation of an average Nigerian, at present, is geared towards the acquisition of educational certificate for the purpose of seeking job opportunities, most especially, government (white collar) job. This is evidenced in the increased applications for government job vacancies with great enthusiasm (and in larger numbers) as opposed to the attitude of the same unemployed youths towards entrepreneurial opportunities. Despite the fact that efforts are being made by the government to promote entrepreneurship (being the major means of gainfully employing the teeming youths to reduce the rates of unemployment and on the overall, improve the Gross Domestic Product), most of these enterprises collapse no sooner than they were established. This, more often, is not unconnected with the fact that most of the entrepreneurs, especially at small scale levels, operate the enterprise with no conscious application of the Business Entity Concept of Accounting. In addition to this, business expenditures were usually managed without clear understanding of what constitutes business needs with a view to separating them from wants. All these lead to the situation whereby most of the promising enterprises are seen as not profitable hence the continuous desire for white collar job at the expense of such promising enterprises. In order to address these challenges with a view to making the enterprises become more appealing to the teeming youths, control is needed in the aspects of business expenditures. It is on the basis of this control element to the business expenditure (a component part of the adapted circular flow of business income), that this theory, theory of controlled appetite, was propounded. It is believed that where the provisions of the theory are applied to the letter, there will be a significant improvement in promotion of entrepreneurship activities, such that where the other challenges militating against enterprises are addressed by the concerned authorities, enterprises will not only become more profitable but will be able to survive also. In the long run, a lot of youths will embrace entrepreneurship hence reversing the present orientation.

Keywords: Business entity concept, business expenditures, controlled appetite, entrepreneurial, white collar

1. An Overview

The nature of education bequeathed to Africans (with a specific focus on Nigeria), by the colonial masters, was that which ordinarily was to make them acquire the ability to read and write and hence prepare them, first for easier administration of the colony, and then for clerical works in what is popularly called 'the white collar job'.

From this, it becomes a common knowledge that the eventual goal is 'to educate them and give them the jobs', hence the mindset of an average educated person is to get the qualification desired and work to 'earn salary'. With time, the orientation of an average educated Nigerian became tilted to white collar job, which invariably made earning of income from an enterprise, (self-employment), a no-option at all, or at most, a temporary option pending the availability of the white-collar job.

Interesting enough, that system of education was subsequently criticized for the fact that it merely encouraged 'rote learning' rather than the production of critical minds. Despite the criticism and reforms subsequently introduced by the independent state of Nigeria by 1960, rote learning was still visible in the educational system (National Teachers Institute, n.d.).

Evidence of this was seen in the products of the school system even after the reforms of 1960. This was from the fact that the Technical and Vocational education colleges that were set up were essentially to produce workers for the purpose of service to bigger industrial firms like the United African Company (UAC), departments and corporations like the Public works Department (PWD) or the Ministry of Works, Posts and Telegraph (P&T), the Nigerian Railways and the Nigerian Coal Corporation (National Teachers Institute, n.d.).

Over the years however, Nigerian government had made frantic efforts at reversing this anomaly by encouraging entrepreneurship studies in all institutions, most especially, all tertiary institutions of learning. Equally, various other efforts have been made to encourage entrepreneurship using various schemes and loan facilities through departments and agencies such as the Bank of industry, the Central Bank of Nigeria, and even the latest 'TraderMoni' scheme of the Buhari administration.

Despite these efforts, it is unfortunate to note that given the options of 'enterprising' and 'white collar job', most educated persons in Nigeria still prefer the latter. This assertion is evidenced in the reactions of educated persons to vacancies, most especially in the public sector. Whenever such window is opened, 'oversubscription' is usually witnessed.

The situation, however, is not the same with enterprise. For the purpose of reference, consider these scenarios in the year 2014, 2016, and 2018:

Job	Year	Vacant Spaces	Application Received
Nigerian Immigration Service	2014	4,000	6.5 million (by the closing date)
Nigeria Police Force	2018/2019	10,000	104,289 (in the first 12 days)

Table 1.1: Selected Government (White collar jobs), 2014 and 2018/19

Sources: NIS at <https://immigration.gov.ng/>; NIPOL at www.nigeriapolicecareers.net

Comparatively, this is the record with respect to the Youth Entrepreneurship Support (YES) programme of the government (through Bank of Industry), in the year 2016.

Program	Target Population	Applications Received
Youth Entrepreneurship Support (YES)	About 91 million Nigerian youths	71,778

Table 1.2: Selected Entrepreneurial Opportunity, 2016

Source: BOI at <https://www.boi.ng/yes/>

Although the YES programme was to commence with about 10,000 youths and then increased gradually towards the target population, only 71,778 of these 91 million youths applied between the periods March to August 2016 (a 6-month period). Contrasting with the Nigerian Police Force job that recorded 104,778 just within 12 days, it is obvious that up till this moment, the orientation is still the same, that is, white collar job attracts more patronage than enterprise. This scenario is not likely to be better than it presently is.

It is imperative to note that it has been argued in the literatures that aside the nature of education bequeathed to Africans and the current orientation as just discussed, a lot of some other factors can explain the poor attitude of Nigerians towards 'a strong belief' in self-employment. In literature, factors militating against enterprises in Nigeria, are classified under three basic grouping: Self-imposed; Societal-Imposed; and Skill Related.

2. Self-Imposed Problems

These include: Indecision; Procrastination; Fear of (or phobia for) Failure; Fear of Competition (especially unhealthy competition); Risk Avoidance; and Inadequacy of Capital. Societal Imposed includes: Absence of (or inadequate) infrastructures; Societal challenge of get-rich-quick syndrome; and Wrong belief in prosperity without hardwork; while Skill Related covers: Technical; Management; and Personal entrepreneurial.

Having identified all these challenges and solutions were provided for most (if not all) of them through various governmental policies, there seems to be no significant improvement in the aspect of the much-desired changed orientation towards enterprising as opposed to the desire for 'white collar jobs' up till this moment (2018). This scenario is not likely to be better than it has usually being if such vacancies are opened up time and again (repeatedly) while the issue of unemployment yet persists.

Notably, in another effort at tackling the challenges of employment in Nigeria, the World Bank, in her 2016 report, after indicating that 40 to 50 million additional jobs are required to employ Nigeria's rapid growing population, suggested thus:

In education, Nigeria needs to improve basic skills levels and build better policies and programs that would boost access and market relevance of technical, vocational education and training; In agriculture, increase access to markets, inputs, credit and technology; To help grow private business and increase their employment capacity, Nigeria will need to improve the business climate. The biggest gains in productivity would come from reducing crime, improving access to credit, reducing losses due to power outages, and increasing use of the internet; and that, a coherent framework and institutional set-up for social safety net is needed to prevent people from falling into poverty and protect economic development over the long term (www.worldbank.org).

Despite the fact that these suggested solutions can be turned to policy issues and are all implementable, the nation, Nigeria, will still not be better off as far as the issue of unemployment is concerned. This assertion is not unconnected with the fact that a vital challenge to enterprising, which is an unexplored but a key factor, is the attitudinal problem – 'poor control of appetite', especially in the use of revenue from the ventures by the entrepreneurs. This challenge, poor control of appetite, is of two basic categories – the improper use of the revenue of the enterprises by not separating business expenditures from household expenditures; and the expenditure incurred by the enterprises without a clear demarcation between wants and needs.

In order to address the gap of knowledge in the aspect of poor control of personal appetite factor, a simple logical reasoning from the 'Farmer Analysis' was employed. From this analysis, the foundation of the Theory of Controlled Appetite was laid.

2.1. Farmer Analysis

The first 'profession' of man, traceable in history, is farming. Farming can be seen from the angles of land tilling and planting of crops (either food or cash crops) to the angle of animal husbandry. To an average farmer, his joy usually

knows no bound whenever there is an improvement in the turnover at the end of seasons for planting and tending (harvest period). Where the harvest is exceptionally good, it is usually described as BUMPER HARVEST.

However, the fact that a farmer got a BUMPER HARVEST at the end of the year "X" does not necessarily make him better throughout his lifetime. What he does with the proceeds of the harvest (his wealth) after the BUMPER HARVEST is what determines continual satisfaction (the growth in wealth) or otherwise. From this first profession of man therefore, the foundation of this theory is set.

Farmer analysis is based on the simple application of alphabets A to Z and numeric figures 0 to 9. The tendency of an average farmer spending heavily after a bumper harvest at the end of a year "X" is very high. Since the average farmer has a tendency of desiring to show that the harvest year "X" was great by utilizing the proceeds anyhow he likes (probably extravagantly), at least with the expectation that year "X + 1"s harvest will be much more, the equation derivable from his action is:

Bumper Harvest (bH) = Bumper Expense (bE) eqn. (i)

2.1.1 Alphabets Description

Let numeric digits 1 to 26 be assigned alphabetically to alphabets A to Z thus:

A - 1	F - 6	K - 11	P - 16	U - 21	Z - 26
B - 2	G - 7	L - 12	Q - 17	V - 22	
C - 3	H - 8	M - 13	R - 18	W - 23	
D - 4	I - 9	N - 14	S - 19	X - 24	
E - 5	J - 10	O - 15	T - 20	Y - 25	

From these we have:

B - 2	H - 8	E - 5
U - 21	A - 1	X - 24
M - 13	R - 18	P - 16
P - 16	V - 22	E - 5
E - 5	E - 5	N - 14
R - 18	S - 19	S - 19
75 points	T - 20	E - 5
	93 points	88 points

Introducing a new word CAREFUL, we have:

C - 3
A - 1
R - 18
E - 5
F - 6
U - 21
L - 12
66 points

2.1.2. Numeric figures description

In counting, numeric figures range from the least digit '0', to the highest digit '9'. Satisfaction derivable from a certain activity, at the extremes, can be nothing, '0', or can be at the maximum level, '9', (in this analysis). If the highest level of satisfaction is '9' therefore, level of satisfaction can be said to be within the point of no satisfaction '0', or somewhere in-between up to the level of maximum satisfaction, '9', (in this analysis).

2.1.3. Arithmetical applications

Arithmetically therefore, BUMPER HARVEST (bH) gives a total point of 168. Where the farmer decides to expend in proportion to his harvest, we now have the 'BUMPER EXPENSE' (bE). This, bE gives 163 points.

Therefore:

BUMPER HARVEST (bH)- (168points) less BUMPER EXPENSE (bE)- (163points) gives 5 points of satisfaction.

This means that, at least, the farmer yet have positive satisfaction as he spends on a lot of things in proportion to his harvest, albeit averagely, (that is, he is able to obtain an average satisfaction - since 5-point is an average level between 0 and 9). It is logical to posit that with more spending and level of satisfaction yet on the average, little or nothing is left for investments.

In other to boost the investment of the farmer, we introduce the new term CAREFUL to our analysis. By consciously controlling the quantum of consumption, and utilizing the term 'CAREFUL' (c), we have CAREFUL EXPENSE (cE) which gives 154 points.

Following from the arithmetic analysis therefore:

BUMPER HARVEST (bH)- (168points) less CAREFUL EXPENSE (cE)- (154points) gives 14 points of satisfaction.

This results in a satisfaction level far and above the highest digit of '9' to a double digit '14'. This makes the farmer not only seen as gaining the highest digit of '9' but is equally 5 more points better than the normal highest level. This then portrays that more of the farmer's income is readily available for investment. This, *ceteris paribus*, makes the farmer better than he ordinarily would have been and equally ensures continual level of satisfaction and growth.

From these analyses, it is glaring that where the spending is carefully done by consciously controlling appetite and hence giving more room to an increase in what is available for investment, an entrepreneur can be better than a person with 'white collar job' (mere salary earner).

2.2. The Concepts of Needs and Wants

Needs and Wants: a need is that 'thing' which is necessary for an organism or an organization (a human and or a business in this context) to be sustained. Put in simpler words, 'needs are required for sustenance'. This means that deprivation of needs may impair on the existence of 'a being/business' or leads to improper functioning of 'the being/business'. On the contrary, a want is something that someone will like to have. It is a desire of a being for entertainment or a business for a show-off (ego). However, unlike the case of need, the inability of a being/business to satisfy 'a want' may not necessarily impact on existence but rather on ego!

Looking carefully at the subject matter of needs, it should be noted that though needs seem to be generic, it is actually dichotomized such that one can clearly see the ones that are very pressing – basic – as opposed to the ones that are equally important but are not basic. This, for instance, can be seen in the effort made by Abraham Maslow in his triangular shaped 'hierarchy of needs'.

The knowledge of 'needs and wants' is essential to entrepreneurs in the sense that financial discipline is only ensured when each person understands the most important that must be fulfilled given a particular level of income. This goes with the consciousness of the fact that the revenue accrued to the business is not essentially owned by the entrepreneur. As a matter of fact, entrepreneurs should only receive some forms of compensations either by receiving wages/salaries or by receiving dividend at the end of an accounting year. It should be understood that movement from all issues of needs to spending on wants is determined by the excess income available to the enterprise after the fulfillment of all needs and setting aside the required proportion for investments.

3. Model Development, the Theory and Assumptions

3.1. Model Development

This theory, theory of controlled appetite, is premised on the microeconomic model of economics circular flow of income. From the microeconomics perspectives, the circular flow of income is put as:

$$Y = C + I \dots\dots\dots \text{eqn. (ii)}$$

Where:

Y = Gross Domestic Product, that is, the total value of all goods and services produced annually in the economy

C = Consumer expenditures, that is, the total value of all goods and services bought by consumers annually

I = Business Investment, that is, the total value of all capital goods purchased by businesses annually.

Each entrepreneurial business operates at a micro economic level. From this assertion therefore, the circular flow model can be adapted and modified, using Accounting terminologies, thus:

$$Y = C + I \dots\dots\dots \text{eqn. (iii)}$$

Where:

Y = Business income, that is, the revenue received from activities of the business either from the sale of goods or offering of services

C = Business expenditure, that is spending on the basic necessities of the enterprises, other than investments. It essentially covers the amounts spent on capital items (items procured as assets of the business), Salaries/Wages, Dividends paid, Maintenance, Utilities, etc.

I = Business Investments, that is, expenditure on targeted growth, creativity/innovations. Usually, these are seen in the 'current assets' segment of the balance sheets of each business.

Since investment is the means of transforming output that is set aside today into capital that will produce output in the future, it follows that the more the income 'Y' that is available for investment 'I', the better the enterprise grows in wealth. But for investment 'I' to increase given a certain income 'Y', the business expenditure 'C' must reduce.

To model this, we take cognizance of the relevant constructs – Income, Expenditure (both necessities and otherwise as determined by 'Appetite'), Investment, and Control:

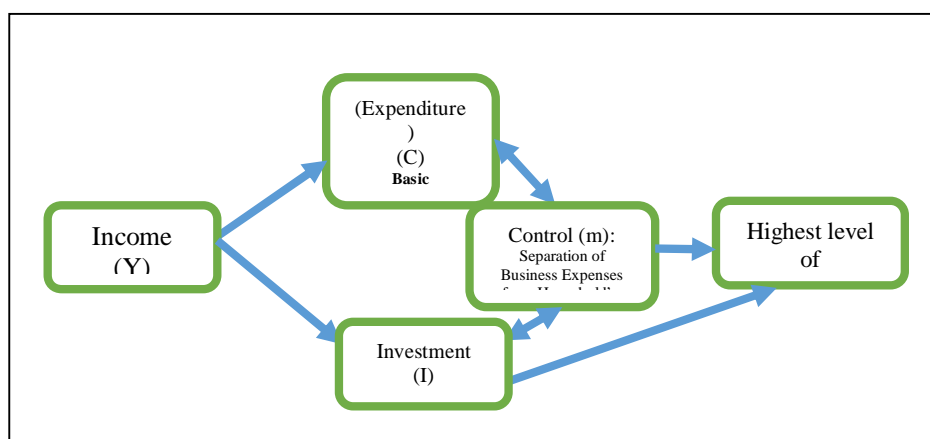


Figure 1: Relationship of the Variables
Source: Author

It is taken for granted that the entrepreneur is already familiar with investments and being an investor already, knows how to go about it. The area of challenge, which is the main focus of this theory, is in the aspect of expenditure, which is driven by the appetite of the entrepreneur. Ordinarily, well analysed and increased investments should bring about a corresponding growth in wealth. What is available for investment is however threatened by appetite, that is, desire to expend the business income both in the area of ‘dipping hands’ into the business income for private use; and also, in the area of spending the business income on business wants as opposed to the needs of the business.

If appetite is consciously controlled however, not only will more be available for investment but equally, that control will directly reflect in taking the entrepreneur to the highest level of satisfaction, which ordinarily will lead to growth in wealth. This then means that the eqn. (iii) needs further analysis.

From eqn. (iii), $Y = C + I$, we work on C, to obtained ‘a controlled C’ (mC) both in the *separation of household expenditures from business expenditure*; and also in the *separation expenditures of business wants from business needs*, that is, focus on (a), the mixture of personal life with business life, and (b) the (a) in addition to separation of business wants from business needs. To obtain mC, in each of the two scenarios (a) and (b) as mentioned, we have the following:

a. $mC = C - hC$ eqn. (iv)

Where:

mC = controlled Expenditure

C = All expenditure that is recorded in the books of the business

hC = Expenditure that is purely of the household (personal expenditure of the entrepreneur)

This suggests that in analyzing survivability of a business, the actual expenditure of the enterprise is obtained by deducting all personal expenditure of the entrepreneur from the total expenditure as recorded in the business to arrive at the first segment of the controlled expenditure. This is applied in the case of businesses that are managed in such a way that there is no separation between household and business expenditures. This scenario is common with small businesses in Nigeria at present.

b. $mC = C - (hC + wC)$ eqn. (v)

Where:

mC = controlled Expenditure

C = All expenditure that is recorded in the books of the business

hC = Expenditure that is purely of the household (personal expenditure of the entrepreneur)

wC = business wants

This suggests that in addition to scenario (a) above, business survivability/growth is also affected by spending on extravagancies, frivolities, ego, and the likes. That is, in addition to non-separation of household expenses from the business expenses, there is the need to equally separate business needs from business wants at any specific period of time. Expenditure on wants, rather than needs, threatens business growth opportunity by reducing the quantum of business income ‘Y’ that is available for business investment ‘I’. A variation to eqn. (v) is where there is a clear separation of these expenses: – household from business. In that case, hC equals zero naira (₦0), hence its simply indicating: $mC = C - wC$.

From the two scenarios (a) and (b) as analysed, it follows that for optimal use of the business income “Y” aimed at ensuring that more of the income is made available for the business investment ‘I’, eqn. (iii) needs a modification. The modification, as suggested by the analysis gives:

$Y = mC + I$ Eqn. (vi)

This is equally as good as stating that: $Y = [C - (hC + wC)] + I$... eqn. (vii).

3.2. The Theory

On the basis of this eqn. (vi) (and its variant, eqn. (vii)); following from Fig. 1, in and in line with 'farmer analysis' presented in 2.1 above, it is therefore theorized that:

Controlled appetite brings about an entrepreneurial ability to live above the threshold of abundance.

It is the continuous living below the threshold of abundance, that is, below the expected level of maximum satisfaction that makes a lot of persons prefer the white-collar job to a much paying enterprise. It follows from this that even if adequate provisions are made to tackle the challenges facing entrepreneurs in Nigeria as presented in literatures, not much can yet be achieved in attitudinal change towards white collar job preference and invariably, economic development, except this important aspect, controlled appetite, is addressed 'individually' and also 'collectively' as a nation!

3.3. Assumptions

This theory is premised on the following assumptions:

- Each Entrepreneur operates at a micro economic level.
- The most important objectives of each entrepreneur are wealth creation and growth.
- All business income that is not consumed is penciled for investment(s).
- Allocation of lesser income 'Y' to expenditure 'C' leads to higher investment 'I'.
- All entrepreneurs are desirous of continued increase in investment expense 'I'.
- Not all existing entrepreneurs obeys the Accounting Business Entity Concept.

4. Areas of Application and Conclusion

4.1. Areas of Application

The theory, theory of controlled appetite, is proposed to be used in the following research areas:

- Prediction of survivability of an enterprise;
- Investigation of the 'why' and the 'how' of an enterprise's failure;
- Understanding of the reason why an enterprise's performance (especially profitability) remains at a lower ebb;
- Guarding against the collapse of an enterprise as a result of improper financial management.

4.2. Conclusion

The theory, TCA, is propounded to debunk the fallacy that white collar job is more paying, and better than an enterprise. This fallacy, for instance, had led to loss of interests in entrepreneurial activities. This invariably, has brought about a continued increase in unemployment level in Nigeria and arguably, an increase in the rate and level of sophistication of crime.

It (the theory) focused specifically on Nigeria environment (though it is expected to be applied beyond Nigeria). Its main focus is on enterprises (covering entrepreneurs, artisans, and business owners). The expectation is that where the theory is properly applied, not only will the fallacy be debunked but also, the rate of business failure will decline.

Beyond enterprises, this theory can be applied to every facet of human endeavours. As a matter of fact, a lot of successful entrepreneurs in the world today had used this theory, albeit, unconsciously. Equally, the theory can be applied in any facet of human endeavor ranging from personal living to the governance of a nation.

It should be noted that the popular saying '... salary is the medicine for managing poverty, it doesn't cure it; only your business or investment can cure poverty', will remain a mere rhetoric unless this theory is diligently applied!

5. ABC of Controlled Appetite/ Financial Success

To apply this theory, the rule, ABC of controlled appetite, is suggested to be followed by entrepreneurs, business owners, artisans, and/or individuals:

A – Always record all income and expenses (*record*)

B – Be conscious of what you are to spend on (*plan*)

C – Carefully analyse an expense before you release cash for it (*budget*)

The point here is that controlled appetite is a panacea for financial success, hence, *ceteris paribus*, the ability of an entrepreneur to apply the theory of controlled appetite is a strong assurance for financial success!

6. Application of the Theory in Researches using ABC Rules

The theory can be applied in both qualitative and quantitative researches. In qualitative researches, enterprises can be studied along the extent to which the entrepreneurs separate the business expenditures from personal (household) expenditures; the extent to which the entrepreneurs manages the business in the areas of planning, budgeting, and recording of income and expenses; and equally, the extent to which the entrepreneurs control business expenses as reasonably as possible (that is, the separation of needs from wants and ensuring that business income is spent only on needs). The results from these can be used to explain the success or otherwise of the enterprises.

For quantitative researches, since it has been established that with controlled expenses, more of the business income is available for investment (which ordinarily is a strong panacea for growth in wealth), the degree of control of expenses can be scaled thus:

Strongly Controlled	- 4
Controlled	- 3
Weakly Controlled	- 2
Not controlled	- 1

With these scaling, appropriate quantitative tools can be applied to understand and explain the success or otherwise of an enterprise. The degree of control can be seen from the use of the business income and the implementation of the planned budget.

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