
ENTREPRENEURSHIP DEVELOPMENT IN NIGERIA, PROSPECTS AND CHALLENGES

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Abstract

This paper underscores the importance of policy formulation in entrepreneurship development in Nigeria as well as the importance of entrepreneurship in reducing the ever-growing rate of unemployment in Nigeria. The methodology adopted for this paper is the narrative-textual case study (NTCS); it is a social science research method that relies on information and data from several sources for problem identification and problem solving. The paper opines that entrepreneurship is lacking in Nigeria due to certain challenges such as epileptic power supply, lack of genuine support for those intending to start up a business, lack of strong willed-power to take risk; all these and more inhibit entrepreneurship development and creates unemployment. The paper concludes that government policy on entrepreneurship should be more robust and that government should create conducive business environments to enhance entrepreneurship development and reduction in youth unemployment.

Keywords: *development, economy, employment, environment, entrepreneurship.*

INTRODUCTION

Nigeria, a former British colony, is a triplistic economy and is the 12th largest crude oil producer in the world, the 9th most populous country of the world and the second largest economy in Africa with earnings of an estimated \$2.2 million a day in oil revenue (World Fact Book, 2009 cited in Nwokoye et al 2013). Nigeria is a mono-product economy heavily dependent on crude oil for more than 90% of its foreign exchange earnings. It is endowed with large agricultural potentials as more than 70% of its land is arable. In spite of these attributes, Nigeria is still classified as one of the poorest countries of the world. Its industrial sector, which is expected to create substantial job opportunities and reduce unemployment, is fast deteriorating due to low productive capacity (Chibundu, 2006). Poverty and unemployment continues to grow rapidly in Nigeria as a result of increase in population and dwindle in production both for domestic and international markets.

National Bureau of Statistics (2010) reported that about 70% (105 million) Nigerians live below poverty line against 54% which was reported in 2008. Its harmonized Nigerian living standard survey 2010 further reported that 90% of Nigerians live on less than \$2 a day and puts the current poverty rate at 79% out of which 30.3% are extremely poor. The United Nations Habitat puts the poverty rate at 76% for 2010 against 46% which it reported in 1996, despite the continuous increase in its population growth rate

Year	None Poor	Moderately Poor	Extremely Poor
1980	72.8	21.0	6.2
1985	53.7	34.2	12.1
1992	57.2	28.9	13.9
1996	34.4	36.3	29.3
2004	43.3	32.4	22.3
2010	31.0	30.3	38.7

Year	Population growth rate	Rate of Unemployment
2000	2.38	13.1
2002	2.44	12.6
2004	2.47	13.4
2006	2.48	12.3
2008	2.50	14.9
2010	2.52	21.1
2011	2.53	23.9

Source: World Development Index 17/07/12

Even though Nigeria has evolved and used different policies and policy mixes in the past, it is still far away from achieving the economic progress needed to influence or better the wellbeing of an average Nigeria citizen, despite being blessed with numerous human and material resources.

The dynamics of the global economy have changed in the last few decades with South East Asia and Latin America becoming dominant in the world market as it concerns exporting of manufactured goods. This is because of these countries encourage entrepreneurship policies of tax holidays, soft credit facilities, etc. Domestic entrepreneurship contributes to the economic and social development through creation of employment opportunities.

Entrepreneurship in Nigeria need attention from different sectors to help in every angle of its operation as it is one of the contributors of economic and social development. Entrepreneurs are significant because they have important effect on world economy (Wickham, 2004). In both developed and developing countries, entrepreneurs play important roles in modifying rural and urban areas, generating income and contributing to employment generation (Hallberg, 2000; Williams, 2001). One of the most difficult problems threatening the

development of any nation in achieving economic development is youth unemployment: a nation which fails to adequately and advantageously engage its increasing population has little plans for economic progress. This calls for the need to redirect the nation's development strategy by looking inward to create new businesses and develop the abundant and untapped youthful talents.

The main objective of this paper is to examine critical factors affecting the growth and survival of new ventures in Nigeria and also challenge existing businesses who feel satisfied in their comfort zone. This will create a platform for them to step up their innovative tendencies in order to achieve economic growth as well as development.

This paper is organised into five sections. Section two contains the literature on which this study is based, section three discusses entrepreneurship development programs in Nigeria, section four highlights and then discusses problems of entrepreneurship in Nigeria while section five contains the policy recommendations and concludes the paper.

THE LITERATURE

Entrepreneurship is derived from the French word *entreprendre* which means to understand. Hence, entrepreneurship is the process of understanding activities concerned with identifying and exploiting business opportunities while assuming its attendant risks. Entrepreneurship involves taking chances, because new businesses do not emerge by accidents (Engelhoff, 2005).

Schumpeter (1959) considers the entrepreneur as an *innovator*. According to him, entrepreneurship is the carrying out of new factor inputs combination which can be referred simply to as an *enterprise*; the individual whose function it is to carry them out, can be referred simply to as *entrepreneurs*. Say (1964) uses the term entrepreneur to describe someone who creates and then, perhaps, operates a new business venture whether or not there is anything innovative in those acts. Baumol (1993) sees the *Schumpeter type* as an innovating entrepreneur and the *Say type* as the business-organising entrepreneur. Therefore an entrepreneur is one who undertakes to organise, manage and assume the risk of a business.

Entrepreneurship is a human activity which plays a major role in any economic development. It points to the spirit of enterprise. In line with Marthy (1989), such a spirit can transform man from a nomad to a cattle rearer, to a settled agriculturist, to a trader, to an industrialist and finally to multinational conglomerate.

Okonkwo (1996) and Okonjo-Iweala (2005) cited in Ewurum and Ekpunobi, (2008) opine that strong entrepreneurial bases are essential drivers of economic growth and prosperity in a modern economy; it empowers the populace and provides greater possibilities for the use of

available local raw materials and this goes a long way in encouraging vertical and horizontal linkages.

Chibundu (2006) cited in Nwokoye et al (2013) opine that it is encouraging to note that research findings and empirical evidences show that significant poverty reduction are possible and have occurred in many countries where entrepreneurship is encouraged. To him, domestic entrepreneurs stimulate private consumption, ownership and entrepreneurial abilities, generate employment, help diversify economic activities and make significant contributions to export and domestic trade while utilizing local raw materials.

Jhingan (2003) observed that a low entrepreneurial ability is a strong factor responsible for the low rate of capital formation in EDCs. He recognised that, though EDCs are characterized by small size of the market, deficiency in capital, lack of private property and contract, entrepreneurship is the focal point in the process of economic development. He, therefore, attributed the spirit of nationalism to that of entrepreneurship.

In Nigeria, domestic entrepreneurship is often discussed within the context of Micro, Small and Medium Scale Enterprises (Ewurum and Ekpunobi, 2008; Uwatt, 2010 cited in Nwokoye et al 2013).

A nation's economic growth depends on successful domestic entrepreneurship combined with the forces of established corporation. Schumpeter, cited in Martin (2002), opines that in the theory of economic development, the responsibility of the entrepreneur is the prime cause of economic development. He explained how large firms outdo the smaller firm in innovation and appropriation processes through strong feed loop from innovation to increased research and development activities.

Shepherd and Douglas (1997) observe that the essence of entrepreneurship is the ability to see and chart a course for a new business venture despite the uncertainty and ambiguity which the business venture faces. This results in innovative and creative strategies as well as courageous leadership.

Elsewhere, entrepreneurship has led to employment generation, economic growth and sustainable development (Anyadike, 2012) and that Nigerian youths have some sterling qualities such as resourcefulness, initiative, drive, ambition, energy, courage, boldness, etc; which are all valuable traits for entrepreneurship development.

Bennell (2000) maintain that youth livelihood could be improved by tapping into the dynamism of young people and building on their strong spirit of resourcefulness through entrepreneurship development. For instance, in Ghana, findings on small scale enterprises reveal that young people owned almost 40% of these enterprises (Osei, Baah- Nuukoh, Tutu & Sowa, 1993). In any entrepreneurship development a new firm is raised. Oftentimes millionaire

and billionaires are made and if well managed, these domestic enterprises can turn into giant corporations of tomorrow (Nwokoye, et al 2013). When Nigerian youths are mentored and provided with enabling environment as well as needed resources, they will be gainfully engaged thereby shunning act of illegality such as hostage taking, kidnapping, vandalism.

The theoretical foundation of this work is based on Schumpeter's Refugee Effect. This theory explains that the ability to make good judgement about the future makes an entrepreneur out of an individual. The process of unemployment fast-tracking entrepreneur activity is known as the refugee effect. Oxenfeldt (1943) cited in Anyadike, Erne & Ukah (2012), points out that individuals confronted with unemployment and low prospects for wage employment often turn to self-employment as a viable tool alternative. The simple theory of income choice lends credence to refugee effect by suggesting that increased unemployment will lead to an increase in start-up business activity on the grounds that the opportunity cost of not starting a firm has decreased (Evans & Leighton, 1990 and Blanchflower & Meyer, 1994).

The importance of entrepreneurship to economic development has long been recognised by economists. The creation of small businesses and the growing of existing ones are considered to be the fastest way to achieve economic growth (Salako 2004 cited in Nwokoye et al (2013)). Conventionally, background about how business ideas emerge in a society has assumed that the process starts and ends with the individual character traits (Kelby (1988) cited in Murtala (2005)). Though the entrepreneurship instinct is inborn, many still argue that entrepreneurship can be stimulated through policy intervention (Clelland and Winter, 1969).

This is why entrepreneurship is increasingly promoted in the developing countries of the world (Jhingan, 2003).

Sue and Dan (2000) argue that entrepreneurship can be influenced by genetic power, family background and economic environment. Since economic environment could develop or suppress entrepreneurship, it would not be wrong for the government to develop macroeconomic policies that could support and provide resources for those that would want to improve and expand their business. Supporting of entrepreneurship becomes a critical policy issue especially since those new businesses that do survive tend to expand employment and economic growth of any economy.

INSTITUTIONAL FRAMEWORKS FOR ENTREPRENEURSHIP DEVELOPMENT IN NIGERIA

The federal government of Nigeria since the 1960s has put in place different kind of institutional framework to reduce youth unemployment in the country. These among others include establishment of industrial development centres (IDCs), the small scale industries credit scheme, credit guidelines to financial institution, working for yourself/entrepreneur development programme (WFY/EDP), National economic reconstruction.....

Having known the significant role of entrepreneurship in fetching economic and social development (which is supposed to be the concerns of the various governments globally), the Nigerian government, in its effort to encourage entrepreneurial initiatives, has developed many programmes through funding from its Central bank. These efforts have led to increases in the numbers of private domestic firms. However, majority of these business ventures are very small in scale when measured in terms of capital, employment and revenues (Attahir and Minet, 2000).

PROBLEMS OF ENTREPRENEURSHIP DEVELOPMENT IN NIGERIA

Successive governments in Nigeria have emphasized the need for the development of enterprises in order to reduce the rate of unemployment and poverty level. The need for encouraging increased productivity and self-employment has been accompanied by the formulation of Small Scale Enterprise Promotion Policy. More often than not, government pronouncements are not backed up by effective implementation. Basic infrastructural facilities such as good roads, constant power supply, access to information and communication, etc; aid in development of mind and body as well as assist productivity in any environment. In Nigeria these basic needs are lacking and so have frustrated a lot of young people with bright ideas and a corresponding spirit to effect a change in some areas of their life. For instance power supply which is the bedrock of production has proven the greatest challenge to any aspiring entrepreneur in Nigeria. Most times businesses have to be run using generators. The cost of running a business with a generator reduces the profit which an entrepreneur may earn. During scarcity of gas or petrol, businesses are grounded. This factor adds immensely to total overhead cost leading to high cost of product/services. This is a discouragement to entrepreneurial development.

Another worrisome problem is the issue of transportation. Air transport is very expensive beyond the reach of young entrepreneur, the rail road is a thing of history while the road which is the most affordable means of transport is neither conducive. The roads are dilapidated leading to unwarranted road accidents and unnecessary delays. Communication system comes with enormous service cost by the various telecomm companies and this have a trickle-down effect on internet service. Security network which has been made worst by the incapability of the security personnel is another big challenge. Entrepreneurs who are serious about doing business needs to arrange private security personnel in order to secure its facilities. This arrangement does not come cheap; it reduces or erodes the profit margin of the entrepreneur whose primary objective is profit maximisation.

Education and knowledge plays a strong role in the formation of the entrepreneurial spirit. The intending and existing entrepreneur needs to be conversant and in tune with the events around him. Unfortunately the role of education in forming young people as *change agents* has been ignored. The quality of education continues to decline due to industrial actions

and mass emigration of qualified teachers. The policy makers end up sending their wards abroad thereby circumventing the will to address the urgent needs required by the SME sector. The result is half baked workforce who are lacking in personal confidence and the desire to look inward on how to bring out the best in them and stop depending on government which is not available.

These days, youths are high dreamers, therefore the entrepreneurial ideas requires huge capital to take off or sustain them. The financial institutions that are supposed to act as financial advisers do not have the will power to give out loan without collaterals. Even when they do, the interest rate is so high and the procedures for assessment of such credit are often rigorous. The government has been hampering on entrepreneurship development through different programmes sponsored by the Central Bank of Nigeria. When these funds are finally made available, such funds are either mismanaged or misallocated thereby creating the impression that the youths and the younger generation are lazy and lack both managerial abilities and ideas. With this state of affairs, the intending entrepreneur falls back on families and relatives for loans to start up or worst of all terminate an already existing project.

Agbeze (2012), writes on the obstacles of entrepreneurship development and assert that the challenges facing aspiring entrepreneur includes non-accessibility to local and international markets, absence of a viable credit policy that address the specific needs of the enterprises, difficulty in procuring business approval, multiplicity of taxation, high inflation and other macroeconomic distortions. All these put together have made entrepreneurial activities cost intensive, unprofitable and uninteresting thereby dissuading the youths from assuming entrepreneurial leadership positions (Anyadike et al, 2012).

CONCLUSION AND RECOMMENDATION

There are a number of entrepreneurship development programmes in Nigeria which are directed towards offering direct support to the government in the areas of employment generation. However the absence of a harmonised and well-focused national development programme agenda, which will get to every region, renders most of these initiatives ineffective. It is obvious that entrepreneurship is the magic wand that can change the story of unemployment in Nigeria. The Nigerian government is yet fully explore this avenue despite the increasing rate of unemployment in the country. The few entrepreneurs who have taken their destiny in their hands and have taken the initiative to start off a project ventures are faced with serious problems such as lack of capital and inadequate access to loan scheme needed for expand, lack of security of lives and property, lack of managerial prowess and absence of the zeal to take risk, etc.

With these aforementioned problems and conditions, paradigm shifts in policies that are critical to effective entrepreneurship development have become very imperative. To overcome these problems, the following recommendations are proffered:

- i There should be proper auditing of all policy programmes aimed at stimulating entrepreneurial activity in order to make sure it gets to those who really need the programme.
- ii The recent introduction of entrepreneurship as a course of study is encouraging, but it should include practical entrepreneurship education and training. There should also be career centres to provide counsel to growing entrepreneurs. This will enhance their knowledge.
- iii Entrepreneurs are also encouraged to make efforts on their own to acquaint with benefits of education and training being offered.
- iv There should be a formation of well-structured and organised entrepreneurial forum to coordinate and represent the interests of entrepreneurs both at all levels when issues of policy formation and reformation are made.
- v Certain policies and structures aimed towards making loans and financing available to entrepreneurs are already in place, that is, Commercial Banks are required to set apart 10% of their profits to serve as capital for entrepreneurs. But most times, it is difficult for entrepreneurs who do not have personal affiliations within the bodies to access the capital. It is therefore necessary to set up internal monitoring and control unit to ensure compliance.

In conclusion, creating a competitive environment where businesses thrive and supporting business ideas among youths through provision of finances and connections to already thriving business networks are institutional policy instruments which the Nigerian government can use in order to encourage domestic entrepreneurship. The Nigerian government can take advantage of her richly endowed physical and natural resources through its policies and create job opportunities to its teeming youth through entrepreneurship development programmes.

Other incentives include provision of basic amenities and conducive business environment most especially consistent supply of electricity, security to lives and property, functional judicial system, strict adherence to taxes and levies, political as well as macroeconomic stability which are all geared towards a peaceful coexistence aimed at encouraging business expansion and networking. The government in developed countries are encouraged to help entrepreneurs by providing frameworks for policies, plans and programs

which help in turning around the old practices involved in setting up and operating business ventures.

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