Entrepreneurship and Socio-Economic Development: The Case of Nigeria

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Abstract

Empirical researchers and policy makers have shown increasing interest in entrepreneurship and its association with socio-economic development. In the literature, a good number of studies have established positive relationship between entrepreneurship and employment generation, poverty alleviation as well as socio-economic development. It is for this reason that various governments in Nigeria over the past three decades implemented a number of policies and programmes aimed at addressing the high rate of unemployment, widespread poverty and low level of socio-economic development. Unfortunately, the various policies and programmes have failed to achieve the desired results. This paper attempts to enumerate the roles and importance of entrepreneurship in the socio-economic development of Nigeria as well as identify the causal factors that militate against the effectiveness of government efforts at entrepreneurship development. Major government programmes are examined to identify inherent weaknesses. Supported by empirical and theoretical literature, this paper asserts that a good treatment of all small businesses as entrepreneurial ventures will enhance the development of entrepreneurship which consequently affects the socio-economic development in Nigeria as policies and programmes are implemented across the board. It further canvasses a distinctive categorization to distinguish entrepreneurial firms from none-entrepreneurial small businesses and the development and implementation of policies and strategies that are suitable for each class of small businesses. While all small businesses need support, entrepreneurial firms need higher level of support to enable them play their catalytic role in employment generation and socio-economic development. Other groups of challenges identified by empirical studies, which militate against entrepreneurship development were highlighted. These include environmental hazards, infrastructural inadequacies, high level of insecurity and the incidence of widespread corruption.

Keywords: Entrepreneurship, development, infrastructure, Small businesses,

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1. Introduction

There are six distinct factors of production; land, labour, capital, materials, technology and entrepreneurship. In management, they are 6m’s of management – man, money, materials, machines, methods and management. These factors of production are resources necessary in the production of goods and services. These resources cannot achieve the desired goals by themselves unless they are properly harnessed, mobilized and combined in the most efficient and appropriate manner. Somebody must be responsible in the carrying out of these functions in the economy. Both the management and the entrepreneur mentioned above are the human element that brings these other factors of production together for production to take place. In today socio-economic status, the need to create more jobs cannot be over-emphasized and

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Entrepreneurship – Origin and Overview

Jean Baptiste Say was a French Economist who first perceived the role of the entrepreneur. Nnamochain Anyanwu (1999) in the New Perspective of Entrepreneurial Development depicted a more enduring definition of entrepreneur of these days as given by Jean Baptist Say. He saw the entrepreneur as the agent that “unites all means of production and who finds in the value of the product. The re-establishment of the entire capital he employs and the value of the wages, the interests and the rent which he pays, as well as the profits belonging to himself”.

Walker (1870) in Nnamocha (1999) highlights the “distinction between capitalists and entrepreneurs and referred to the later as the engineers of industrial progress and the chief agents of production. In 1882, Frederick B. Hawley distinctly identified risk taking as the core attributes of the entrepreneur and raised it to the same status with other factors of production like land, labour, capital, etc.

However, the word entrepreneur dates back to the eighteenth century when the French economist Richard Cantillon in the 18th century associated the ‘risk bearing’ activity in the economy with the entrepreneur. In England, during the same period the Industrial Revolution was evolving, with the entrepreneur playing a visible and an active role in risk taking and the transformation of resources. The association of entrepreneurship and economics has long been the accepted norm.

The word entrepreneur is derived from the French *entreprendre*, meaning to undertake. The entrepreneur is one who undertakes to organize, manage and assume the risks of a business. As indicated above, the 18th century economist Richard Cantillon first used it as a technical economic term which meant an employer in the character of one who assumes the risk and management of business, an undertake of economic enterprises, in contrast to the ordinary capitalist, who strictly speaking, merely owns an enterprise and may choose to take no part in its day-to-day operation.

Another rather capitalistic view was set up by Jacques Turgot. In the 20th century, economist Joseph Compete (1883-1950) focused on how the entrepreneur’s drive for innovation and improvement creates upheaval and change. Compete viewed entrepreneurship as a force of “creative destruction”. The entrepreneur carries out “new combinations” thereby helping render old industries obsolete. Established ways of doing business are destroyed by the creation of new and better ways to do them.

The emergence of the great depression of 1930s changed the meaning of the word entrepreneurship. Nnamocha in Anyanwu (1999) quoted a leading economist Schumpeter (1934) as viewing that “interest and profit arose from progressive change and would not exist in a static society”. Change itself is brought about by the work of innovating businessmen referred to as entrepreneurs. In Schumpeter’s view, “innovation was the basis of entrepreneurship. Innovation includes the doing of new things and the doing of things that are already being done in a new way. Schumpeter has developed his concept and elevated it to a school of thought. The school talked of two things – entrepreneurial role and managerial function. While with the entrepreneurial role, we mean making strategically important and innovative decision; managerial function involves maintaining routine operations of a business.

It is important to note that in recent times, the study of entrepreneur cuts across various disciplines. Cochran (1972) concludes that the “consensus today is that entrepreneur though a definable function is a term denoting an ideal type rather than a term continuously applicable to a real person”.

Who Is an Entrepreneur and What Is Entrepreneurship?

Going by the dictionary meaning, an entrepreneur is a person who organizes and manages a business undertaking, assumes the risk for the sake of profit. He is the prime mover of all the other resources of the organization. He combines these resources in a particular way in order to ensure optimum results. He makes vital decisions for the enterprises by determining what to produce, how to produce it, when to produce it and
for whom to produce. In the 20th Century as highlighted above, the economist most closely associated with the term was Joseph Schumpeter and he described the entrepreneur as the innovator who drives the ‘creative-destructive’ process of capitalism. In his words, “the function of entrepreneurs is to reform or revolutionize the pattern of production”. They can do this in many ways: “by exploiting an invention or more generally, an untried technological possibility for producing a new commodity or producing an old one in a new way, by opening up a new source of supply of materials or a new outlet for production by reorganizing an industry and so on”.

Entrepreneurs are more appropriately considered as innovators than inventors. Nwachukwu (1990) in a clear language, see “anyone who creates a business, establishes it and nurses it to growth and profitability or takes over an existing business because the founder is dead or has sold it or who inherited it and continues to build and innovate on it, or a man who runs a franchise, qualifies as an entrepreneur”.

The entrepreneur is essentially a path finder. He charts a virgin course for others to follow (Anyanwu 1992:216). On the other hand, one may define an entrepreneur as “a person who would rather trust the market place”. You may have the creativity, the initiative, the idea, and the urge, but if you don’t trust the market place, you cannot venture into business as an entrepreneur. Therefore, the entrepreneur has a sound mental outlook towards life. He is a mature individual who has developed a way of viewing all experiences in a healthy manner (Eneh, 2010:46). He is one who sees a business opportunity, obtains the needed capital, knows how to put together an operation successfully and has the willingness to take a personal risk of success or failure. A school of thought is of the view that since risk is a dangerous chance, starting a business should rather be seen as an opportunity – an opportunity to do things our way. Akanwa (2004) and Imaga (1997) believe that in “modern business management and eventual business success, there is nothing like luck. What people refer to as luck is the logic of what happens when opportunity meets with preparedness – what may result in constant business failure is the inability to recognize opportunities and so for such people, entrepreneurial is taking advantage of opportunity while overlooking the risks inherent in the opportunity. Indeed, the ability to assume risk, take initiative, create vision and rally others to follow your lead are necessary attributes of any entrepreneur.

Sociologists see the entrepreneur as a deviant who is driven or led by a number of factors such as personality, family and society towards a particular pattern of behavior. Psychologists see entrepreneurs as innovative creators occasioned by need – need to obtain or perhaps need to escape the authority of others. For a businessman with an itinerant knowledge of the concept, an entrepreneur appears a threat, an aggressive competitor or an ally, a source of supply, a customer or someone who creates wealth for others, who finds better ways to utilize resources and reduce waste and who produces jobs others are glad to get (Hisrich and Peters, 1998:9). Drucker (1985:90) describes the entrepreneur as a person who is willing to risk his capital and other resources in new business venture, from which he expects substantial rewards, if not immediately, then in the foreseeable future. As a business expert, Peter Drucker took the idea further to assert that the entrepreneur is someone who actually searches for change, responds to it and exploits change as an opportunity. A quick look at changes in communication – from typewriters to personal computers to the internet illustrates these ideas.

Okpara (2000:3-4) perceives the entrepreneur as an individual who has the zeal and ability to find and evaluate opportunities. He further observes that they are calculated risk-takers who enjoy the excitement of challenges, not necessarily gamblers. Today, an entrepreneur is an innovator or developer who recognizes and seizes opportunities, converts those opportunities into workable/marketable ideas, adds value through time, effort, money or skills, assumes the risks of the competitive market place to implement these ideas and realizes the rewards from these efforts. He is the aggressive catalyst for change in the world of business and is the independent thinker who dares to be different in a background of common events. While the entrepreneur is the person venturing into the business of organizing and managing, entrepreneurship is the service rendered by the entrepreneurs.

Entrepreneurship, as an emerging field of study and as an area of human endeavour, has received increasing interest of researchers, academicians and policy makers the world over. It has equally provoked
Entrepreneurship is seen as an effective means, not only of combating unemployment, poverty and under-development in the developing nations, but also as a strategy for rapid economic development in both developed and developing nations (Schumpeter, 1934).

Okpara (2000) see entrepreneurship as the term used broadly in connection with the innovative and creative modern industrial business leaders. It is being defined by reference to the functions of an entrepreneur as the man who perceives business opportunities and takes advantage of the scarce resources to use the profitably.

To a sociologist, “entrepreneurship is a function of several factors, that is, individual socio-cultural environment and support system”. Entrepreneurship is for people who got the right level of interest that could make them pursue their dreams, improve their life and create a business. Entrepreneurship denotes the creation of some combination that did not previously exist. It is often equated with small business ownership and management and this creates an impression that the heart of entrepreneurship is to find a need and fill it.

Moreso, entrepreneurship can be defined as the willingness, skill, ability and capability and drive to identify and harness an investment opportunity. It is a management and leadership style that involves pursuing opportunities without regard to resources currently controlled. Any attempt at new business or new venture creation, such as self employment, a new business organization or the expansion of an existing business by an individual, a team or an established business constitutes entrepreneurship.

Furthermore, entrepreneurship is traditionally associated with a particular form of business activity, the creation of a firm, whereas enterprising behavior in the broader concept and the educational effort is directed towards developing self-reliant and enterprising people. The concept of enterprising behavior has been given a number of definitions, but in general seems to relate to personal characteristics such as willingness to change, initiative, opportunity identification and creation.

For me, entrepreneurship is not just an academic discipline; it is a way of life. It is vibrant assertion of the facts that individuals can be developed, then outlook can be changed and their ideas can be converted into action through an organized and systematic program for entrepreneurs. This means that entrepreneurship is about developing oneself as well as others.

From the foregoing, there are re-occurring attributes of an entrepreneur and entrepreneurship. They are innovation, creativity, risk-bearing, value-addition, self-directing, self-nurturing, action-oriented, highly energetic, tolerant of uncertainty, eternal optimism, ability to live under a cloud of debt and profit orientation. In addition to the above characteristics, a good entrepreneur should possess the following qualities according to Madu, et al (2000).

**Intelligence**: An effective entrepreneur is an intelligent individual. He is capable of identifying viable investment opportunities as well as sourcing resources, both human and non-human. He should be properly equipped mentally and physically in order to cope with the demands of these resources.

**Drive and Energy**: An effective entrepreneur should possess enough energy and drive to enable him carry out the various functions required of him. The survival of the entrepreneur rests upon the entrepreneur as it is often said that “uneasy lies the head that wears the crown”. The job of this individual can take place in any environment. There are occasions when the entrepreneur has to put in more time at work especially during the peak periods of business. A lot of energy is required of such a person in order to cope during this peak period.

**Friendly relationship**: An effective entrepreneur should cultivate friendly relationship with everybody because his job demands knowing and interacting with people, government, ministries and their chief executives. The survival of the entrepreneur depends on how well the various entrepreneurial roles are played which include meeting people and discussing business with them.

**Honesty**: “Honesty is the best policy” is a popular saying. Entrepreneurs, whether state or private individuals, should exhibit a great sense of honesty. This will make others to have faith, trust and confidence in the business, activities and programmes of the entrepreneur. Where there is trust and confidence, getting
loans from financial institutions, raw materials from suppliers and leasing equipment for business operation will be relatively easy.

**Disciplined and humble:** An effective entrepreneur should be a source of inspiration to others around him. In this case, the person should be humble and well transformed individual. Discipline is necessary for the maintenance of peace and order in any organization. Humility enables the person to be receptive to ideas, advices, suggestions and complaints from subordinates. A person that is not disciplined and humble cannot pay attention to the problems of others, let alone finding solutions to them.

**Pace setter:** An entrepreneur is always a pace setter. The person who is an effective entrepreneur maintains the lead in most competitive situations and provides the necessary help to others whenever they are in trouble. Goals and objectives that are attainable are pursued and accomplished.

**Responsible:** Effective entrepreneur is a responsible individual. Resources are never lacking for business activities and not wasted too. There is efficient management of all available human and material resources of the organization or the business venture set up by him. Engaging in expensive ceremonies such as naming ceremonies, remembrance of departed loved ones and taking of chieftaincy or “ozo” titles are not his main preoccupation. He is interested in optimum output, profit maximization, acquisition of raw materials and finance for business operation, development of new market areas for his products and above all, maintenance of industrial harmony within the establishment.

- **Entrepreneurial Functions**

  The functions carried out by entrepreneurs towards the economic and socio-economic development of a nation are varied. The lists as identified by Okpara (2000) among others are as follows:

  **Identification of business opportunities:** The primary function of the entrepreneur is to identify business/investment opportunities. In doing this, the entrepreneur tries to identify where consumer needs exist. When such need or gap exists, they constitute potential demand. Such investment needs are not easy to identify, rather it takes training and experience to learn.

  **Selection of opportunities:** A number of opportunities may be available to the entrepreneur and because of limited resources, he may not be able to exploit all at the same time. In this way, he is faced with a choice. He may use a number of criteria to evaluate the alternate projects in taking a decision.

  **Decision on the form of enterprise:** It is the responsibility of the entrepreneur to decide which form of enterprises to establish, whether sole, partnership, public limited liability company, etc.

  **Allocation of resources:** The effective allocation of the limited resources available to the entrepreneur is a crucial factor in entrepreneurial function. How effective these resources are allocated to a great extent affect the performance of the organization. In this way, the entrepreneur is considered a resource allocator. The resources which include man, money, materials, machines, methods and management should be greatly mobilized and allocated for maximum benefit.

  **Planning and Controlling:** Business environment is dynamic and so the entrepreneur must be a good planner to enable him foresee the future. He must be a good strategic planner. In this turbulent world of business, effective planning and controlling are the basic ingredients for the survival and growth of the enterprise. When this is done, a return on investment will be assured.

  **Business Management:** The entrepreneur should not only concern himself with starting a business, he should also concern himself with maintaining and sustaining the business. To do this, he must understand the management principles and theories like motivating personnel, provision of effective leadership, delegation, etc. As a risk bearer, he is the captain of the crew who must ensure the determination of the tasks necessary for goals to be achieved.

  **Mobilization and utilization of local raw materials:** Just like the financial institutions that attract idle cash and try to put them into use for purposes of economic development of the nation, entrepreneurs find themselves carrying out the duty of mobilizing and utilizing such idle resources for purposes of bettering the
An entrepreneur takes time to identify productive resources such as land, labour, machines, money, materials and methods and employ them. His main preoccupation is how to mobilize and combine them for optimum productive realization.

**Risk Bearing:** The entrepreneur is an investor. There is risk in every business venture which the entrepreneur engages in and the consolation or reward the entrepreneur gets for taking this risk is the expected profit. The entrepreneur is a high powered risk bearer and so while some of the risks he undertakes are systematic, others are unsystematic. Systematic risks are risks that are non-diversifiable or unavoidable e.g. tax reform by government, change in government policy, etc. The unsystematic risks are diversifiable or avoidable risk. Such risks can be reduced by engaging in insurance policy e.g. fire, accident, etc.

**Creation of employment opportunities:** To achieve enterprise objective, the manager makes use of people. In doing this, he (whether owner-manager or hired manager) employs people to help him carry out such functions of attaining his set goal thereby creating employment opportunities.

**Marketing:** Since the objective of any business is customer satisfaction, in this way, marketing has been elevated to the position of entrepreneurial function. It is the duty of the entrepreneur to satisfy certain customer needs. It is the market that drives the entrepreneur, i.e. the entrepreneur responds to the needs of the market. This means that for an entrepreneur to survive in business, he must satisfy a very important condition – customer needs.

**Innovation:** Since the market drives the entrepreneur, the entrepreneur must continue to innovate to respond to the needs of the market. In order to reap great profits, he has to create new markets, new products and use new technology. The entrepreneur should therefore be seen as a catalyst of change agent that is highly innovative along line with market needs.

**The Dark Side of Entrepreneurship**

There is a great deal of literature devoted to extolling the rewards, successes and achievements of entrepreneurs. However, there is also a ‘dark’ side of entrepreneurship. This aspect of the entrepreneurial profile has a destructive source that exists within the energetic drive of successful entrepreneurs. In examining this dual-edged approach to the entrepreneurial personality, there are a number of major traits that characterize this dark side:

a. **The need for control:** Entrepreneurs are driven by a strong desire to control both their venture and their destiny. This internal locus of control spills over into a preoccupation with controlling everything. An obsession for autonomy and control may cause entrepreneurs to work in structured situations only when they have created the structure on their terms.

b. **Sense of distrust:** Entrepreneurs try to anticipate and act on developments that others will recognize too late. This distrustful state can result in their focusing on trivial things, causing them to lose sight of reality, distort reasoning and logic and take destructive actions.

c. **Desire for success:** The entrepreneur’s ego is involved in the desire for success. Thus, the entrepreneur rises up as a defiant person who creatively acts to succeed and takes pride in demonstrating that success. Therein lies the seeds of possible destructiveness: the danger that the individual will become more important than the venture itself.

d. **External optimism:** Entrepreneurs maintain a high level of enthusiasm that gives off an external optimism that allows others to believe in them during rough periods. However, when taken to its extreme, this optimistic attitude can lead to a fantasy approach to the business. A self-deceptive state may arise in which the entrepreneur ignores trends, facts, reports and deludes himself into thinking everything will turn out fine.

e. **Stress:** In order to achieve their goals, however, entrepreneurs are willing to tolerate stress. It is important to recognize four causes of entrepreneurial stress: (1) Loneliness (2) Immersion in business (3) Peoples’ problems and
From the above qualities and functions of the entrepreneurs, we can see that, the entrepreneur is very important to the society in the sense that:

(a) He fosters economic growth
(b) He creates new technologies, products and services.
(c) He increases or enlarges productivity.
(d) He changes and rejuvenates market competition. (Stoner, Freeman and Gilbert, 2005:164). These are explained further.

Fostering of Economic Growth: The birth of a new business in most cases tantamount to creation of a fresh job. As the business expands, the economic activities expand further, thus widening the economic growth. The multiplier effect of establishment of successful businesses in the economy is enormous. It also provides jobs for small families and their relations, others may also be hired. This is why probably economists pay good attention to the establishment of small business firms for they have the capacity of creating new jobs and sustaining economic growth.

Creation of new technologies, products and services: Entrepreneurs are usually thirsty for innovation and creation. In a bid to have competitive advantage over each other’s inventions, new technologies and products emerge. A single creation may lead to a number of other creations and subsequently new products. In the 18th century, James Watt in England developed and perfected the steam engine in a bid to ease production process in the factory.

Increasing or enlargement of productivity: Entrepreneurs create goods and service that are capable of satisfying needs. The multiplicity of this creation enlarges or increases productivity and higher productivity is chiefly a matter of improving production techniques noted John Kendrick.

Change and Rejuvenation of market competition: Entrepreneurs stir up the waters of competition in the business arena. Zoltan (2006) et al describes small businesses created by entrepreneurs as agents of change in the market economy. Two possible types of technological changes associated with products/services in the market place include quantum innovations (a shift or jump from the existing product to entirely new product and incremental technology change – a change that refines an existing technology and leads to gradual improvements or refinements in products and services over time. In any of the cases, competition is rejuvenated, firms are worked up and competitions are renewed.

2. Review of Related Literature

This will reveal a lot of work done by various authors and researchers on the concept, entrepreneurship and the roles the entrepreneurial plays in the economic growth and socio-economic development of Nigeria.

Nanda (2011) contends that global development is entering a phase, where entrepreneurship will increasingly play a more important role. He adduces three reasons for this development. The first is that the managed economy of the 1970s–2000 in the West, characterized by reliance on big business and mass production, has given way to a so-called entrepreneurial economy, where knowledge-driven goods and services are more flexibly provided by smaller creative class. Secondly, impressive growth in the emerging economies, notably Brazil, Russia, India and China, has been driven by innovative entrepreneurial revolution. Thirdly, in the least developed countries, where dependency is high, donor agencies have been shifting emphasis in development cooperation towards private sector development.

Nanda (2011) draws the conclusion that entrepreneurship will contribute to growth and employment creation in advanced, emerging and least developed economies alike. In Nigeria, studies have been carried out on the effect of entrepreneurship development on the problem of high unemployment rate, high level of poverty and slow economic growth rate (Adejumo, 2001; Ariyo, 2005; Agboli & Ukaegbu, 2006; Abimbola & Agboola, 2011).
Given the generally held view that entrepreneurship development is the key to poverty eradication, employment generation and rapid economic and socio-economic development, various governments in Nigeria have, over the past three decades, evolved policies and programmes aimed at developing entrepreneurship through the development of small and medium scale enterprises (SMEs). In spite of all the efforts, unemployment rate has remained high, rising from 13.1% in year 2000 to 23.9% in 2011, with youth unemployment put at over 50% (IMF, 2013; Rise networks, 2013).

While Schumpeter (1934, 1942) sees the entrepreneur as an agent of change, who moves the market away from equilibrium, Drucker (1985) contends that the entrepreneur is not necessarily an agent of change, but one that searches for change, responds to it and exploits it as an opportunity. He agrees with Knight (1921) who asserts that entrepreneurs attempt to predict and act upon change, bearing the uncertainty of market dynamics. Stevenson (1991) defines entrepreneurship as a process by which individuals, either on their own, or within organization, pursues opportunities. Shane and Venkataraman (2000) similarly express the strong view that the existence, nature and discovery of opportunities constitute the real core of entrepreneurship. They provide explanation why some people discover these opportunities while others do not. Leibenstein (1968) explains that entrepreneurship involves activities that are necessary to create or carry on an enterprise, while Gartner (1988) simply defines entrepreneurship as creation of new organizations. Martin and Osberg (2007) assert that entrepreneurship is the product of a combination of three elements: the context in which the opportunity arises or is created, a set of personal competences necessary to identify and use the opportunity and the capacity to actualize the opportunity by transforming it into business.

Baron and Henry (2010) argue that entrepreneurs not only identify, but also create opportunities, because their actions produce effects, which in turn produce opportunities that did not previously exist. A number of empirical studies have confirmed the close association of environmental factors and the development of entrepreneurship (Wilken, 1977; Thornton, 1999; Lee & Peterson, 2000; Agboli & Ukaegbu, 2006; Abimbola & Agboola, 2011). Thornton (1999) makes a distinction between the role of individuals with identifiable entrepreneurial traits and characteristics, classified as supply-side perspective and the role of culture and environment (demand perspective) in the development of entrepreneurship. Wilken (1977) emphasizes the importance of government policies and programmes in the creation of conducive socio-economic environment required for the growth of entrepreneurship.

Alvarez and Busenitz (2001) propose a resource-based theory of entrepreneurship, which states that access to resources is an important predictor of opportunity-based entrepreneurs. To Alvarez and Busenitz (2001), resources include ability to identify opportunities and opportunity-seeking behaviour, as well as the process of organizing and combining the required resources for productive purpose. Davidson and Honing (2003) assert that access to resources will likely enhance individual’s ability to detect and exploit opportunity. Using a survey data from Global Entrepreneurship Monitor (GEM) in 2001 (GEM, 2005), Clausen (2006) investigated the extent to which individual differences in resources are related to nascent entrepreneurship. His findings show that individuals with high general and specific human capital as well as entrepreneurship capital are significantly more likely to be engaged in entrepreneurial behaviour. Human capital is broken down into education, skill and experience (Anderson & Miller, 2003; Clausen, 2006).

Theoretical Framework of Entrepreneurship

The entrepreneur is a fashionable personality. Sociologists however regard the entrepreneur as a deviant driven by certain variables such as personality, family and society towards a particular pattern of behavior. The writings of psychologists have been influenced by the perceived personal characteristics of the entrepreneur. Scholars tend to opine that the term has been part of the technical vocabulary of economics for over two centuries. Various theories of entrepreneurship have emerged since then. Some of such sociological and psychological theories are discussed below:
The need for achievement motivation (N.ACH) theory by David McClelland

McClelland’s need for achievement theory is probably the best known work associated with traits or psychology. The theory concludes that those who have high need for achievement have a high probability of going into business and succeeding. These classes of people are also accessed as having high probability of benefiting from business training courses (Ibrahim and Ellis, 1990: 19, Agbaeze, 2003).

The McClelland need for achievement theory has been seen as an extension of Max Weber’s Protestant Ethic Theory. He merely introduced an intermediating psychological motive (need for achievement) into the discourse. McClelland opines that most entrepreneurs are motivated by the need for achievement in the entrepreneurial pursuit. He attributes like Everet Hagen the inculcation of achievement motive in a child in his early stage of development as capable of influencing him towards acts of entrepreneurship. He illustrated this by the training pattern of Jewish children who from birth are taught to be on top in all pursuits in order to counteract the strict attitude of the society towards them. This makes them to see themselves from birth as people who must be pacesetters and excellent in any area of endeavour they might find themselves. As a result, most of them end up with acts of entrepreneurship (Okpara 2000:23-24; Agbaeze, 2004:77). Therefore, from the theory, the characteristics-traits associated with entrepreneurs include high need for achievement, risk-taking propensity, tolerance of ambiguity—seeing it as positive and challenging, creativity—the mechanism for creating or increasing wealth, purposeful creation, change focus that yields dividend, intuitive, flexibility, high need for independence and autonomy (own boss), self-confidence, internal locus of control (all events in life are under control, i.e controlled boldness) adapting readily to change, dominance and low need for conformity.

The Theory of ‘Aspiration to Power’ by Joseph A. Schumpeter: Joseph Schumpeter was one of the first scholars to identify entrepreneurship as a separate factor input. His theory of entrepreneurship was based on the economic development of various nations. Contrary to the views of other theories, he maintained that entrepreneurship is not a function of parental, cultural, social or religious orientation. He asserted that individuals psychologically are motivated by ‘atavistic’ will to achieve power (that is the man’s experience in his early stage of development). Thus, the art of entrepreneurship could occur at random in any ethnically homogenous group. He opined that a successful entrepreneur must be futuristic with very high degree of accurate forecasting ability. He maintained that a successful entrepreneur must be flexible and dynamic. In addition, he must be strong, courageous and capable of absorbing shock.

Creativity and Technological Innovation Theory by Everett Hagen: Hagen sees an entrepreneur as “a creative problem solver, interested in things in the practical and technological realms and driven by a duty to achieve” (Okpara 2004:24). Hagen further opines that the creative personality in an individual is characterized by a high need for achievement, law, order and autonomy. He perceives economic development as ecological process brought about by technological creativity and innovation by entrepreneurs. He thus asserts that the entrepreneur is a creative problem solver interested in solving practical problems, mostly through the application of creative technology. Some entrepreneurs, in his view, are energized by the burning zeal (internal force) to make a unique contribution to mankind.

Behavioural-Elastic Model by John Kunkel: Kunkel, in his behavior-elastic model, asserts that entrepreneurship is a function of past and present social structure milieu. However, it is influenced by identifiable sociological factors. His emphasis is on reward and punishment syndrome. Entrepreneurship pursuit in this context involves calculable risk and associated reward. It is the societal values and norms that determine the entrepreneurial skills. He opines that “for entrepreneurship to thrive, there must be minimal government intervention. He also notes that certain government policies, in this regard, could facilitate or discourage entrepreneurship. He concluded that entrepreneurial behavior is a function of the surrounding social structure, both past and present and can be readily influenced by manipulating identified sociological variables as the determinants of entrepreneurship.
The Protestant Ethic and the Spirit of Capitalism theory by Max Weber: The primary interest of this German lawyer was in the broad sweep of the historical development of civilizations through studies of the sociology of religion and sociology of economic life. In his studies, he examined the world’s major religions such as Christianity, Buddhism and Judaism, in addition to tracing the pattern of economic development from pre-feudal times. These two interests were combined in his classic studies of the impact of Protestant beliefs on the development of capitalism in Western Europe and the United States of America.

His work in this regards was published in 1958 titled “Protestant ethic and the spirit of capitalism” (Okpara, 2000:21). The Protestant ethic encourages hard work and sizzles work on daily existence, accumulation of capital and investments. Excluding innovation, he opines that the rest of the energizing forces of entrepreneurship are created by the adopted of exogenously supplied religious beliefs. According to Weber, certain religious beliefs create either a positive or negative attitude towards profit generation and wealth accumulation. He argues that the business empire builders in general and the highly technically skilled personnel even in the modern society are overwhelmingly Protestants, especially in Western Europe.

He came to this conclusion after a careful study of the attitude and behavior towards profit of members by different religions, such as Protestants, Catholics and Muslims. Arising from the above, Weber concludes that the protestant ethic facilitates generation of high profit and accumulation of capital and investment thereafter. He sees entrepreneurial urge as being motivated by the adoption of exogenously supplied religious factors. The belief gingered his followers to hard work, capital acquisition and investment. It produces an intensive exertion of energy in occupational pursuits by his members. It equally makes for systematic ordering of means to ends and the accumulation of productive assets. In Weber’s view, the above are the prerequisite for successful entrepreneurship. He described this as the “Protestant ethic and the Spirit of Capitalism” theory of entrepreneurship.

Thomas Cochran’s Sociological Theory of Entrepreneurship: The key variables in the discussion of this theory are:

(1) Cultural values
(2) Role expectations and
(3) Socio sanctions

The theory holds that the environment in which an individual is reared determines his entrepreneurial urge. This theory of entrepreneurship perceives the entrepreneur as being the representation of his society’s model of personality. In this context, Cochran opines that the individual performance as an entrepreneur is influenced by three factors, namely:

(1) The individual’s attitude towards his occupation;
(2) The role expectations held by the society (the sanctioning group/role moderator) and
(3) The operational requirement of the job.

Social values and norms are perceived as the most important determinants of the two first factors. It further implies that change over time in such exogenous factors as technology, population and institutional drift will impinge on the role structure created by creating new operational needs. The entrepreneur’s reaction to such change, whether it will be that of aggressive innovation or creativity or acts of inertia or inactivity, will be determined primarily by the socio-cultural values and norms. He postulates that the environment where an individual is brought up determines the entrepreneurial urge of the person. For example, in a situation where one is brought up at Aba, there is high chances or probability of the person having interest in business because Aba is a town known for business while a place like Imo State is academic or civil service.

Thomas Cochran, just like David McClelland, in this theory, concludes that good and successful entrepreneurs are reared from their youth through such factors as culture, norms, social sanctions and the like (Okpara, op.cit).
The Theory of Societal Incorporation of Relative Sub-Group by Frank Young: Young’s theory is a sociological theory of change based on society’s incorporation of reactive sub groups. He unveils the effect of inter-group relationship on entrepreneurial development. In his view, incorporation of reactive groups in the societal framework affects entrepreneurial development positively. In his view, a group could become reactive under two circumstances:

1. If a group experiences low status recognition and denial of access to important social network.
2. If the group possesses a greater range of institutional resources than other groups in the society at the same system level.

Under the first circumstances, members of the group will work harder and strive for autonomy in those areas they are denied equal opportunity. In most cases, they become very successful. A case at hand is the Jews. Under the second condition, the group could use their abundant resources to acquire or buy the entrepreneurial skills they need, for instance the case of the Americans. Young thus, sees no relationship between personal factors and entrepreneurial development, value and society-wide phenomena on entrepreneurial advancement (Okpara, 2000:21-27).

The Market-Failure Remover Concept by H. Liebenstein: Liebenstein, in his thesis on entrepreneurship in the developing countries, sees the developing countries economies as full of market imperfection. Consequently, he observes that the entrepreneur in such an economy, beside the normal functions, has additional role of being able to predict and overcome both factor market and commodity imperfections, by providing a conducive environment for availability of factor inputs as well as ensuring market outlets for the goods and services produced. In effect, the entrepreneur should be perceived as an eliminator or reducer of market failures. This, in Elkan’s (1988:7), opinion may vary with the situation in developed countries with relatively stable and predictable market economies. (Culled from OkparaO.F. (2000): Entrepreneurship: Text and Cases).

• Role of Entrepreneurs in Socio-Economic Development

Agbaeze(2003) in his book quoted Drucker as saying that “the entrepreneur always searches for change, responds to it and exploits it as an opportunity”. He further stated that “the entrepreneur has been usually considered as the person who starts a new business, is a venture capitalist, has a high level of achievement-motivation and is naturally endowed with the qualities of enthusiasm, idealism, sense of purpose and independence of thought and action”. Drucker believes that entrepreneurs play a prominent role in strategic management. As initiators, they provide a sense of direction to the organization and set objectives and formulate strategies to achieve them. They are major implementors and evaluators of strategies. The strategic management process adopted by entrepreneurs is generally not based on a formal system and usually they place all strategic roles simultaneously, strategic decision making is quick and the entrepreneurs generate a sense of purpose among other subordinates.

They create jobs, employ themselves and others and the job environment which is created by them bring people of different colour, age, language, dialect, backgrounds and educational orientation together. They make investments, engage in imports and exports thereby ensuring circulation of money and also contribute to the Gross Domestic Product.

• Conceptual Perspectives

Following increasing interest of empirical researchers and academic theorists in the field of entrepreneurship, various definitions and concepts are found in the literature. A common denominator in a good number of studies is the important role of three key factors namely, risk-taking, innovation and identification and use of opportunities, with varying degrees of emphasis ((Okpara, 2000:21-27). As noted by Schumpeter (1934), a development economist, he sees entrepreneurship from the point of view of value creation and defines an entrepreneur as a risk-taking innovator needed for rapid economic development, through the process of “creative destruction”, by which obsolete technologies and ideas are replaced by new
ones. As indicated before, Schumpeter (1934) argues that entrepreneurship has the potential for economic development, through the introduction of new innovative combinations, which render old industries obsolete. According to Joseph Schumpeter, the carrying out of new combinations can take several forms including (1) the introduction of a new product (2) the introduction of a new mode of production, (3) the opening up of a new market and (4) the reorganization of an existing firm to respond to changing technology.

- **Wealth Creation Nature of Entrepreneurship for Socio-Economic Development: a Conceptual Framework**

The entrepreneur in the process of entrepreneurship is a utility creator. When utilities are created given economic efficiency, maximum profit is realized whose resultant effect will be accumulation of capital and growth in the economy. The wealth creation nature of the entrepreneur can be demonstrated using investment-multiplier concept. The principle of investment multiplier holds that an increase in net investment will increase income by an amount greater than the increase in investment itself. The strength of the multiplier will depend greatly upon the marginal propensity to consume (MPC) in the economy concerned i.e. there is a direct relationship between the two.

\[ \text{MPC} = f(\text{multiplier}) \]

In this case, if the marginal propensity to consume increases, the multiplier will increase. Let us assume that the Nigerian government allocates ₦100 million to cashew and cocoa farmers. The cashew farmers utilized ₦50 million while the cocoa farmers used ₦30 million. The Marginal Propensity to Consume would be 0.5 and 0.3 for the cashew and cocoa farmers respectively. Because the MPC of cashew is higher, then it will give higher multiplier effect and hence a higher increase in net income. Let us demonstrate this more using the banks and their operations. Mr. A deposited ₦100 million in bank A. The Central Bank of Nigeria had fixed the bank reserve ratio at 20 percent. That means that 20 percent of ₦100 million (i.e. ₦20 million) is reserved in the bank for daily transactions while 80 percent is lent out to businessmen (presumably entrepreneurs). If 20 percent is kept for daily transactions, it means 80 percent is saved for lending. The bank who retains this will spend this money in lending to entrepreneurs. The entrepreneur who received this money will deposit same amount in the same bank and the bank also will retain 20 percent of the ₦80 million or \((\frac{4}{5})^2\) of ₦100 million. This becomes additional income to bank A that received it. The bank will in turn give out 80 percent of the income (deposit) they received or \((\frac{4}{5})^2\) of ₦100 million. This will continue until what the bank receives (deposit) and lending (investment) are equal. This can be represented functionally as follows:

\[ \text{CI} = 1(1 + r^1 + r^2 + r^3 + \ldots + r^n) \]

Where  
\( \text{CI} \) = Cumulative increase  
\( I \) = Initial investment  
\( r \) = Marginal Propensity to Consume (MPC)  
\( n \) = the round of spending, where \( Y = C + I \) or \( S = I \)

Since 20 percent is the reserve ratio, then the MPC for the bank is 80 percent, then the cumulative increase will be:

\[ = 100(1 + (\frac{4}{5})^1 + (\frac{4}{5})^2 + (\frac{4}{5})^3 \ldots \ldots \ldots (\frac{4}{5})^n) \]

\[ 1 = 1 \]

Which tend to be \( 100(1-r) \) \( 10(1-\frac{4}{5}) \)

\[ = 1 \]

\[ 100(\frac{1}{5}) = 100.5 \]

Therefore, the cumulative increase in income will be \( 5 \times 100 = ₦500 \) million.
This means that the initial deposit of ₦100 million to bank A has multiplied ₦500 million in the economy, all things being equal. Entrepreneurship therefore is a means whereby entrepreneurs innovate and as the innovation goes on, more opportunities are created, more products and services provided, more jobs created, living standard improved, quality of life and more choice available. As opined by Schumpeter, since one change was likely to stimulate others, there was a tendency for innovation to cluster and produce bug upswings in profits and business activity. In this way, entrepreneurship can be said to be the engine of economic growth and socio-economic development in the economy.

Furthermore, the Nigerian economy is considered a one commodity economy. This is because the nation depends 98 percent on the revenue generated from crude oil. Even at that, the participating companies like Shell Petroleum, Total-Elf, Oando, etc and other non-oil producing companies and their employees pay tax to the federal, state and local governments. These taxes paid are used to build hospital, schools, roads, keep the environment clean and support people in need. In this way, the wealth generated by businesses help everyone in the nation. The nation’s businesses therefore are part of an economic system that helps to create a higher standard of living and quality of life for everyone in the country.

The term, standard of living refers to the amount of goods and services people can buy with the money they have. A country that has more entrepreneurs create a competitive environment which may result in lower prices of goods and services thereby creating a better standard of living, while quality of life refers to the general well-being of a society in terms of freedom, education, health care, safety, free time, etc. The more money businesses create; the more funds are made available for such causes. More so, the more entrepreneurs open new business outlets in states other than theirs and employ people, the more interaction which invariably ensures the socio-economic development of the country. In Nigeria, the standard of living is increasing at a snail speed, the level of unemployment is increasing at a geometrical speed in comparison with little or no jobs created. Much still needs to be done to achieve a good standard and this is the reason for this work.

Nickel, McHugh and McHugh (1999) saw one factor contributing to the number of entrepreneurs in the United States as corporate downsizing. Downsizing means laying off or letting go of some workers or managers to make a business more efficient. Some layoffs and cutbacks are due to businesses need to reduce costs to become more competitive; others result from new strategies for assigning (out-sourcing) non-essential work to other firms. They also further said that downsizing is creating new opportunities for entrepreneurs who can provide business services such as advertising, security, services, thereby creating jobs for themselves and others etc.

3. Programmes for the Development of Entrepreneurship for Socio-Economic Growth

Entrepreneurship, in the literature, is classified into opportunity-based and necessity-based categories, depending on whether the entrepreneurship is driven by the discovery and exploitation of opportunity or it is prompted by unemployment, or need for survival (Global Entrepreneurship Monitor, 2012). Kazmi (2000) classify necessity-driven entrepreneurship as disguised unemployment, which indicates that the individual’s resources and competences are misallocated and put into less productive use and therefore less productive to the society. This paper contends that self-employment and necessity-based entrepreneurship should not be made only on the bases for identifying entrepreneurial firms. Out of necessity, a potential entrepreneur may go searching for opportunity (Drucker, 1985), or his activity may produce effects, which in turn produce opportunities that did not previously exist (Baron & Henry, 2010).

Some necessity-driven individuals may thus emerge as opportunity-driven entrepreneurs with ascribed characteristics. In the light of the above, this paper conceptualizes entrepreneurship as the act of identifying and exploiting opportunities, through innovative process, under condition of uncertainty, to either create new business, or reorganize existing one capable of generating employment for others and value for stakeholders. To be classified as entrepreneurial firm, a business must at least show potentials for growth through introduction of new product, new production process, or new marketing strategies. By this operational
definition, entrepreneurial firms will be identified and separated from other small non-entrepreneurial businesses. Furthermore, selected entrepreneurship development programmes in Nigeria will be evaluated to identify weaknesses that have constrained their effectiveness.

Selected Entrepreneurship Development Programmes in Nigeria by Nigerian governments, particularly since the Structural Adjustment Programme of mid 1980s, have put in place policies and programmes aimed at entrepreneurship development, as a means of employment generation, poverty alleviation and rapid economic and socio-economic development. The major programmes are examined below:

(i) **Small and Medium Industries Equity Investment Scheme (SMIEIS):** In reaction to the Federal Government concern for the promotion of small and medium enterprises, the Bankers Committee, in December, 1999, approved the setting up of the scheme under which all banks in Nigeria are required to set aside 10% of their profit after tax for investment in small and medium enterprises (Central Bank of Nigeria, 2003). The scheme has not attracted the expected patronage by the target group, as evidenced in the relatively low draw-down and large pool of investible funds (Central Bank of Nigeria, 2003). A major problem is lack of national spread in utilization. In 2009, only ₦28 billion (or 67%) of the ₦42 billion set aside under the scheme was invested, out of which, Lagos State took 41.25%, while 24 states of the federation each had less than 1%, with 12 states recording nil investment (Central Bank of Nigeria, 2009).

(ii) **Bank of Industry (BOI):** Established by the Federal Government of Nigeria in 2000 by a merger of Nigerian Industrial Development Bank (NIDB), the Nigerian Bank for Commerce and Industry (NBCI) and National Economic Reconstruction Fund (NERFUND), BOI combines the functions originally performed by the three merged institutions (Central Bank of Nigeria, 2001). Although NERFUND was specifically established to Entrepreneurship Development in Nigeria, it provides medium and long term credit to small and medium scale enterprises, the Bank of Industry, being urban based, appears to focus on big industrial establishments to the detriment of small enterprises.

(iii) **Nigerian Agricultural Cooperative Rural Development Bank (NACRDB):** Three Federal Government development finance institutions namely, The Nigerian Agricultural Cooperative Bank (NACB), Peoples Bank and Family Economic Advancement programme (FEAP) were merged in 2000 to form NACRDB, which took off in 2001 with authorized capital of ₦1 billion (Central Bank of Nigeria, 2001). The three merged institutions were rural based, with similar functions of providing easy-to-access credit facilities and agricultural inputs to rural farmers, cooperative societies and small businesses. The problem is that the bank has limited reach and over 80% of the target population has no access to the services of the institution.

(iv) **Microfinance Bank:** The Central Bank of Nigeria launched the Microfinance Policy, Regulatory and Supervisory Framework for Nigeria in 2005 and revised same in 2011. The Framework, which provided for the transformation of former community banks to unit microfinance banks on meeting specified requirements, aimed at solving the problem of urban bias and provision of affordable financial services to small scale businesses and active poor, to create employment opportunities, increase their productivity and uplift their standard of living (Central Bank of Nigeria, 2011). However, the problem of urban bias has not been effectively addressed and a large segment of target small businesses and active poor in the rural areas have no access to microfinance services.

(v) **The National Directorate of Employment (NDE):** Legally empowered by NDE Act, CAP 250 of the Law of the Federal Republic of Nigeria (formally Decree No 34 of 1989, the Directorate has responsibility to design, and implement programmes to combat mass unemployment in Nigeria. Its programmes include vocational skills acquisition training, employment counseling and job linkages, entrepreneurial training and enterprise creation, amongst others. The major weakness is the inability of the Directorate to provide post-training resources for job creation, resulting from lack of commitment by various levels of government.
(vi) Small and Medium Enterprises Development Agency of Nigeria (SMEDAN): Established by Small and Medium Enterprises Development Agency Act of 2003, the Agency has the mandate to stimulate, monitor, and coordinate the development of micro, small and medium enterprises (MSMEs) in Nigeria by initiating and articulating policies, programmes, instruments and support services for the development of MSMEs subsector. So far, SMEDAN has not made any significant impact on the target population, as a result of lack of awareness.

(vii) Establishment of Entrepreneurship Development Centres (EDCs): In a bid to provide institutional support for the development of entrepreneurship, the National Entrepreneurship Development Centre was established. Additionally, entrepreneurship development centres have been established in Nigeria’s tertiary institutions and entrepreneurship has become a compulsory course of study in Nigerian universities. However, the effectiveness of such academic programmes is constrained by a disconnect between the centres and the industrial sector that should provide practical training and experience for the students.

(viii) Youth Enterprise with Innovation in Nigeria (YouWIN): This is one of the latest initiatives of the Federal Government of Nigeria, aimed at developing entrepreneurship in the country. It is defined as an innovative business plan competition aimed at job creation by encouraging and supporting aspiring entrepreneurial youths in Nigeria to develop and execute business ideas (YouWIN, 2013). Youths between ages 18 to 45 years compete for award of N1 million to N10 million to execute their business ideas. The first competition was held in 2011, with 1200 successful businesses. The second involved only women; while the third will feature both men and women entrepreneurs in Nigeria within the age bracket (YouWIN, 2013). This is the first time effort is made to identify entrepreneurial firms, but the sustainability is in doubt because of the nature of the award and the political undertone.

4. Discussion of Findings

From the various programmes outlined above, it can be unequivocally stated that governments in Nigeria have persistently made efforts towards the development of entrepreneurship in the country. It is, however, a matter of concern that, in spite of these efforts, the expected results in terms of solving the problem of massive unemployment, high poverty rate and low rate of economic growth and socio-economic development, have remained elusive. Two major problems are identifiable.

The first problem is that the approach to entrepreneurship development in Nigeria has remained faulty. This paper argues that the treatment of all small business owners as entrepreneurs constrains the development of entrepreneurship in Nigeria, as in other developing countries. Government policies and programmes focus generally on the development of small and medium scale enterprises and no effort is made, until recently, to distinguish entrepreneurial firms from non-entrepreneurial small businesses, as canvassed by Garland et al. (1984), Earle and Sakova (2000), Lugar and Koo (2005) and Praag and Versloot (2007). While the development of all small businesses is important for socio-economic growth of an economy, the distinctive role of entrepreneurs in creation of jobs for others and in accelerated economic growth and socio-economic development has to be clearly identified. Small non-entrepreneurial businesses need to be encouraged and supported to keep the Entrepreneurship Development in Nigeria.

As youths usefully engaged in self-employment and thus solve the problem of youth restiveness and indulgence in criminal activities, economic benefits are equally derivable as the self-employed becomes economically self-sufficient and provides for the immediate family. Policies and programmes put in place to grow small businesses remain beneficial to the economy, but classification of small businesses into entrepreneurial and non-entrepreneurial firms will allow for specific strategies for each group. While small non-entrepreneurial businesses may need basic skills training, soft loans and grants to be fully self-employed, entrepreneurs, in order to play their catalytic role in economic development, need higher level of support in terms of research and development, as well as the provision of grants and venture capital for the execution of business plans. The recently introduced Youth Enterprise with Innovation in Nigeria (YouWin) programme appears to be a right step in the right direction. However, the sustainability of the programme is in doubt,
given the political undertone and the faddish nature. To be sustainable, the programme should be built into existing institutions.

The second set of problems that constrain the development of entrepreneurship in Nigeria relate to environmental, socio-economic, political and cultural factors that affect both entrepreneurial firms and non-entrepreneurial small businesses (Agboli & Ukaegbu, 2006; Eneh, 2010; Abimbola & Agboola, 2011; Oyelola et al., 2013). Agboli and Ukaegbu (2006) emphasize the devastating effect of poor infrastructural facilities, including epileptic power supply, poor condition of road network and inadequate water supply, on emerging businesses.

A related environmental factor is the incessant cases of kidnapping and the insurgence of Boko Haram’s sect, which create unhealthy and insecure environment for business operation. Abimbola and Agboola (2011), quoting World Bank Doing Business 2008 report, showed Nigeria as ranking 108 out of 178 economies compared in terms of business environment friendliness, with many Sub Saharan countries including Ghana, Mauritius, Botswana, Ethiopia, South Africa and Kenya, having higher rating. The high cost of doing business in Nigeria imposes economic dimension of challenges encountered by nascent enterprises.

The weight of high incorporation costs, legal and professional fees, business permits and licenses add up to other start-up costs to create heavy burden on small businesses faced with limited access to credit facilities and high interest rates. The incidence of multiple taxation and levies in different forms at federal, state and local government levels constitute militating forces for emerging small businesses, whether entrepreneurial or not.

Above all, corruption, in all its ramifications, has continued to pose serious threat to the survival of small businesses in Nigeria. Transparency Internationals 2010 Corruption Perception Index places Nigeria 134th out of 178 surveyed economies. This translates to a score of 2.4 out of 10 points or 24% (Economy Watch, 2010). Corrupt practices appear to permeate all levels of our public life, from high ranking officers, who collect material inducement to disburse government approved funds to micro, small and medium scale enterprises, down to office assistants, who declare files missing if not submitted with tips.

5. Conclusion and Recommendations

The paper observes that efforts made by various governments in Nigeria over the years to develop entrepreneurship have not yielded the desired results. One major reason is the treatment of all small businesses as entrepreneurial firms and implementation of policies and programmes across the board. The second set of problems relate to economic, social and political factors that create hostile environment inimical to the development of entrepreneurial firms and other small businesses.

- **Recommendations**

Having seen the constraints and limitations bordering the development and sustainability of entrepreneurship for socio-economic development in Nigeria, the following measures are recommended by the studying order to address the challenges and facilitate the development of entrepreneurship in Nigeria:

- Entrepreneurial firms should be separated from other non-entrepreneurial small businesses, to allow for distinct policies and programmes required by each category of small businesses. To achieve this categorization, all small businesses should be encouraged to submit their business plans to a development agency such as the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN). From the business plans, potential and nascent entrepreneurs are identified and separately registered.

- The Agency should develop a strategy for monitoring, on yearly basis, firms that are classified as entrepreneurial for at least a period of three years. Firms that fail to realize projections in their business plans should be declassified.
Entrepreneurial firms should be given higher level of support including outright government grants and soft loans for research and development and easy access to venture capitalists and business angels.

The development of other small businesses will continue to be pursued to promote self-employment, reduce crime rate and improve the people’s standard of living.

To this end, the implementation of the Microfinance Policy should be reviewed for greater impact on the generality of the rural populace.

Finally, government should strive to reduce the cost of doing business in Nigeria, to the benefit of both entrepreneurial firms and other small businesses, by providing a conducive environment. To achieve this objective, infrastructural facilities, including good road network, stable power and water supply should be provided as a matter of priority. Security should be beefed up in both urban and rural communities and the problem of corruption should be realistically addressed.

References


