The Effect of Policy Measures on Entrepreneurship Development Analysis of Nigeria’s Experience

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Abstract
This research focus to investigate impact of policy measures in entrepreneurship development in Nigeria. Research method adopted were mainly secondary sources derived from archival data such as: Thesis publications, scientific journals publications, African statistical year book, and World Fact-book, among others. Nigeria’s entrepreneurs have experienced difficulties in doing business due to: Managerial challenges, technological problems, lack of credit facilities, lack of basic amenities or infrastructural facilities, lack of power supply; inconsistencies in government policies, political instability (Boko Haram Insurgence), lack of patronizing made in Nigeria products among others. To address entrepreneurship development problems, government has introduced programs such as; World Bank SMEs 1 and 2 Loan Scheme, National Economic Reconstruction Fund (NERFUND), Peoples and Community Bank, Nigerian Bank of Commerce and Industry (NBCI), Export Processing Zone (EPZ), National Poverty Eradication, Advisory Agencies, few to mention about. Findings reveal that, these policy measures have played insignificant role in entrepreneurship development instead they work only on white papers and used by some corrupt government officials to embezzle national treasury. Nigeria being gifted with large reserves of natural resources is expected to build a thriving and vibrant economy, to reduce poverty level, and provide health, education and infrastructure services to meet with the demands of the teeming population and other African countries and the entire world at large. Based on findings, study recommend that government should borrow a leaf from Giant Asian countries to implement death sentence on corruption practices to serve as a deterrent for individuals to learn their lessons. Again, government should introduce monitoring unit to oversee activities of entrepreneurship projects development funds and disbursement processes; government should partner with other world agencies to encourage regular, seminars; research and development to boost entrepreneurial capacity and productivity.

Keywords: Entrepreneurship, Entrepreneurial capacity, Trade by barter, Developing Countries, Economic Growth, Government Policy

1.0 Introduction
The word entrepreneur according to Wickham (2004) has been into existence for decade, often used extensively in everyday conversation and as a common term in the field of management and Economics. According to the author, entrepreneurship was originated in France during the seventeenth century. In Nigeria, Entrepreneurship development existed even before the coming of the colonial masters; most people in the rural and urban communities have started transacting businesses and maximizing profit in their own little ways without calling it entrepreneurship. For instance, the Goldsmith who stores people valuables and engages in exchange of goods and services was a typical entrepreneur (Onwuka & Ile Chika, 2006). Again, our forefathers who were doing subsistence farming and later diversified into Craft trade to produce goods and services to satisfy their various needs were also into entrepreneurship without knowing it. Therefore, this stage of entrepreneurial development process is called ‘old era’ or ‘trade by barter system’.

Exchange of goods for goods or services was solely based on trade by barter initially, until commodity money was introduced as a result of coming of our colonial master. Related to this, physical money or cash therefore replaces trade by barter system, this is popularly known as ‘colonization era’ or ‘new stage’ of entrepreneurship development. This process later transforms to trade of goods and services which brings about specialization among producers, and the communities came to realize that they can concentrate on the areas of
production they are best fitted. However, the consequent of this development brings about the culture of entrepreneurship business in Nigeria as pointed by (Nicks, 2008; Raimi and Towobola, 2011).

Again, this culture of doing business continues along with government effort and intervention to encourage unemployed graduates and teeming youths to own and manage small scale business have also led to establishment of entrepreneurship development programs (EDP) such as indigenization programme (Onwuka & Ile Chika, 2006, pp.5). The program is seen as an economic and social platform to create an enabling environment for the development of local entrepreneurship mainly through technical and managerial assistance and easy access to capital. With the aid of this policy, economic opportunities have been made available to Nigerian entrepreneurs to own and control the commanding heights of the economy. This objective has been translated into action by the indigenization laws, which not only reserved certain sectors of the economy to Nigerians, but also made mandatory for foreign entrepreneurs to involve her citizens in the ownership and management of their enterprises. Unfortunately, the laudable goal of the indigenization policy could not be exploited in full potentials due to various factors such as political instability in the country’s crises regions, problems of government bureaucratic bottlenecks, government fraud and looting of public fund, which had thwarted various government programs and actions as well as affecting entrepreneurship development process.

Apart from Nigerian’s entrepreneurs, other entrepreneurs in both developing and developed countries also experience these similar challenges in doing business. For instance, studies of Ford (2004) and Adewumi (2009) noted that finance is one of the main factors that affect entrepreneurship development in developing countries as compared to their counterparts in industrialized economies such as; China, Japan, United States of America, United Kingdom among others where access to credit facilities is relatively high. According to Ford (2004), a small business owner in the United State of America, United Kingdom, or Western Europe with a good business idea or seeking fund to expand an already existing business, has higher chances of obtaining local bank credit on reasonable terms more than Nigerian counterparts. Again, recent study by Carter and Jones-Evans (2006) emphasized that banks are major source of finance for many small business owners in developed countries. In Nigerian context, this situation is quite different and also difficult for a bank to give loan to a young talented entrepreneur without demanding collateral or high interest rate as Mambula (2002a) put it that about 72% of entrepreneurs in the country, experienced financial constraint to develop and run their businesses.

Apart from lack of credit facilities, recent study conducted by Eriobunah and Nosakhare (2013) found that entrepreneurship development in Nigeria is also affected by the followings; lack of basic amenities or infrastructural facilities; lack of power supply; inconsistencies in government policies; unfriendly fiscal policies or excess taxes and duties; high cost of production as a result of inadequate infrastructure; insecurity of people and property; competition with foreign products or restricted access to market and absence of sustainable institutional mechanism.

On the other hand, Lundström (2005) also emphasize that managerial problems affects entrepreneurship development adversely in Nigeria. This author argue that most entrepreneurs in the country lack financial strength to employed or hire competent workers to keep track and records of accounting process such as; inventory, sales, marketing simulations, product development among others. The author further point that entrepreneur should possess both technical knowhow and managerial skills required to control their business operation. Again, entrepreneurs should have skills to manage finances such as, accounting management, which require, research and development, experience, education and technology.

Sequel to this, Aiyedun (2004, pp.4) noted that technology affects entrepreneurship business in Nigeria. For instance, internet services, modern information and communication technology constitute to major challenges faced by Nigerian’s entrepreneurs thus making it problematic in owning and founding businesses in the country as pointed by (Okpara & Wynn, 2007; Mambula, 2002b). According to Aiyedun (2004), promoting entrepreneurship in a country requires the followings; government provision of efficient communication, software development, electric power supply, rural wireless telephony and software development, road networks, water supply and boreholes among others.

Apart from technological constraint, other problems of entrepreneurship development in Nigeria also include; lack of patronizing made in Nigeria products, high corruption in government, inappropriate location, disaster, ‘boko harram’ (political insurgence), treat from business environment due to kidnapping and unjust harassment (Onwuka & Ile Chika, 2006). This unstable macroeconomic business environment and high bureaucracy often result to major challenges affecting entrepreneurship development due to complexity of the nature of laws governing private enterprise especially business registration and taxation systems in Nigeria. For instance contract and private laws are often poorly designed and or enforced. As Kiggundu (2002) and Pope (2001) put it that the unfavorable institution or regulatory environment is often characterize of bribery and corruption which limit access to short term and long term financial capital by entrepreneurs. Mambula (2002b) further stress that inappropriate or unsafe location may affect entrepreneurship business due to high cost of renting offices or business in more secure and convenient locations.

Based on problem statement mentioned above, study focus to investigate impact of government policy

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on entrepreneurship development in Nigeria. To explore this research further, the remaining part of this paper is structured into four major parts and sub-sections. The first part discusses theoretical framework, the second part also highlight on research methodology. The third part present conclusion and wrap out recommendation on area for further studies.

2.0 Theoretical framework
This section present literature review related to the definition and concept of entrepreneur and entrepreneurship; objectives of entrepreneurship development; economic growth and entrepreneurship development in Nigeria.

2.1 Literature Review
Majority of scholars have asked what entrepreneurship is all about. The answer to this question brings close hints to the likes of Steve Jobs and Bill Gates of USA, IKEA of Sweden, and Dangote, The Young Shall Grow Transport and ABC transport of Nigeria among others. The word entrepreneurship as mentioned earlier has been into existence since 16th and 17th century. It was derived from the French word entreprendre, meaning “to undertake” (Kuratko & Hodgetts, 2001). According to Wickham (2004) the definition of entrepreneurship is so broad such that management and economics defined it differently and these possess a great challenge because both management and economics rarely agree with each other on the basic of characteristics of entrepreneur. The author also noted that economics have long recognized the importance of entrepreneur as well as management. Study conducted by Gartner (1990) inquired the best definition of entrepreneurship by taking a survey of academician, business leaders and politicians. The author found that 90 different attributes associated with the definition of entrepreneurship existed without any similarity in their definitions. Findings show that there is no best definition of entrepreneurship, and study places no emphasis in giving best definition of entrepreneurship instead to provide a clearer picture of the concept of entrepreneurship for the purpose of this study.

Entrepreneurship also entails the act of risk-taking, and co-ordination of factors of production in the creation of new products or services for new and existing users in human society (Acs & Storey, 2004; Minniti & Lévesque, 2008; Naudé 2007; Kanothi, 2009). On the other hand, Wickham (2004) also put it that entrepreneurship is “what the entrepreneur does”. The author further define an entrepreneur in terms of the activity or task they perform, that is, as a manager (undertaking an activity); agent of economic change (creating effects on economic systems); and individual (characterized in terms of psychology and personality). The author also noted that entrepreneur perform the task of a manager such as; planning, controlling, directing and maximizing the returns that shareholders get from their investment. To this effect, they create and run organizations which generate long-term profits on behalf of the investors. As an agent of economic change, entrepreneurs must adapt to change to bring people, money, ideas and resources together to build new organizations and to change existing ones.

Similarly, Onwuka and Ile Chika (2006) argue that entrepreneurs must possess high entrepreneurial capacity, with high ability to grab business opportunities existing in that environment and pursue them with suitable innovations. Related to this, Wickham (2004) add the real value is created when that opportunity is exploited by something new which fills or closes the market gap. Therefore, entrepreneur must be a great and smart person to be able to pursue entrepreneurial process.

Kuratko and Hodgetts (2001) further emphasize that an entrepreneur is a person who controls, manages and assumes the risk of operating business activity. He or she must be an independent thinker with ability to do something different at all times in the environment of common dealings. The authors argue that entrepreneur must possess the following attributes; personal initiative, the ability to combine resources, management skills, risk taking, a desire for autonomy. Other characteristics of entrepreneur includes; aggressiveness, reality-based actions, opportunistic behavior, competitiveness, goal oriented behavior, confidence, intuitiveness, ability to learn from past mistakes and the ability to use human relation skills.

Other definitions of entrepreneurship according to studies of Kuratko, Morris and Covin (2011, p.9) have been summarized in seven perspectives in the following: Creation of wealth, enterprise, innovation, change, jobs, value and growth. The table is shown as follows;
Table 2.1.1 Seven Perspectives of the Nature of Entrepreneurship

<table>
<thead>
<tr>
<th>Perspective</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creation of Wealth</td>
<td>Entrepreneurship involves assuming the risks associated with the facilitation of production in exchange for profit.</td>
</tr>
<tr>
<td>Creation of Enterprise</td>
<td>Entrepreneurship entails the founding of a new business venture where none existed before.</td>
</tr>
<tr>
<td>Creation of Innovation</td>
<td>Entrepreneurship is concerned with unique combinations of resources that make existing methods or products obsolete.</td>
</tr>
<tr>
<td>Creation of Change</td>
<td>Entrepreneurship involves creating change by adjusting, adapting, and modifying one's personal repertoire, approaches, and skills to meet different opportunities available in the environment.</td>
</tr>
<tr>
<td>Creation of Jobs</td>
<td>Entrepreneurship is concerned with employing, managing and developing the factors of production, including the labor force.</td>
</tr>
<tr>
<td>Creation of Value</td>
<td>Entrepreneurship is a process of creating value for customers by exploiting untapped opportunities.</td>
</tr>
<tr>
<td>Creation of Growth</td>
<td>Entrepreneurship is defined as a strong and positive orientation towards growth in sales, income, assets, and employment.</td>
</tr>
</tbody>
</table>

Source: Adapted from the work of Morris (1998); Derived by Kuratko, Morris Covin (2011).

2.2 Government Role in Development of Entrepreneurship in Nigeria

Nigerian’s first effort towards establishment of small and medium enterprise (SMEs) started in 1961 with the establishment of the first Industrial Development Centre (IDC) in Owerri, Nigeria. The focus on SMEs establishment is based on the fact that it is a key factor and engine for growth of any economy particularly developing economies. Sequel to this, government objective in the economic recovery process especially during the periods of 1999 – 2003 has taken bold steps towards initiating and implementing a number of policy measures, these programs include;

- World Bank SMEs 1 and 2 Loan Scheme
- National Economic Reconstruction Fund (NERFUND)
- Peoples and Community Bank
- Nigerian Bank of Commerce and Industry (NBCI)
- Export Processing Zone (EPZ)
- Manufacture In-Board Scheme (MIBS)
- National Poverty Eradication
- Advisory Agencies
- Micro finance
- National Directorate of employment (NDE)
- Small and Medium Enterprises Developing Agency of Nigeria (SMEDAN)
- Family Economic Advancement Program (FEAP)

Others have been set aside to improve the constraints and problems of SMEs to enable them play their expected role in Nigerian’s industrialization process and overall economic development. One of these objectives is; to create employment opportunities and sustainable livelihood, promote rural development and dispersal of industry, achieve self-sufficiency in intermediate and consumer goods, modernize traditional industry and crafts (Onwuka & Ie Chika, 2006; Oghojafor, Okonji, Olayemi & Okolie, 2011).

Apart from that, another objective of entrepreneurship development is to reduce rural urban migration in search of ‘white-collar’ job which has resulted in congestion, high incidence of crime et cetera (Oghojafor, Kuye, Sulaimon & Okonji, 2009). The authors also noted that the following factors including; development of local technological based, conservation of foreign exchange, improved living standard and stimulation of indigenous entrepreneurship are another motive of SMEs development in Nigeria.

2.3 Economic Growth and Entrepreneurship Development in Nigeria

Nigeria is the largest country in Africa with a teeming population of about 158 million people. The country also accounts for 47% of West Africa’s population and known as the biggest oil exporter in Africa, with the largest
natural gas reserves in the continent (The World Bank Group, 2014). The effect of this has given Nigeria the edge to emerge as Africa's largest economy, with GDP estimated at US$ 502 billion subsequent to April 2014 statistical analysis exercise. Oil has been a major source of government revenues since 1970s. Regulatory constraints and security risks have limited new investment opportunities in oil and natural gas, and the country's oil production reduced in 2012 and 2013. Apart from oil sector, the economy has also experience growth in other sector such as; agriculture, manufacturing, electricity, gas and water among others (The World Factbook, 2010). In Table 2.3.1, the growth of Nigerian economy has continuously been fluctuating disproportionately over the period of time. For instance, the growth rate of major activities in agriculture have increased in 2006 by 7.4 % and fall disproportionately in 2007, 2008, 2009, 2010, 2011, 2012 from 7.2, 6.3, 5.9, 5.8, 5.6 and 4.0 respectively. This indicates a zigzag and inconsistent economic growth in Nigeria economy. The dividend of growth rate accounted in oil sector in 2010 has not been fully utilized to support entrepreneurial capacity in the country through introduction of government entrepreneurship programs such as: National Economic and Reconstruction Fund (NERFUND), Subsidy Reinvestment Program (SURE− P) among others as mentioned earlier.

In developed countries, entrepreneurship is considered as an engine or catalyst for growth potentials because it raises the living standard by creating small and medium sized enterprises that contribute positively to the welfare of the society (Cahna, 2008). In Nigeria context, entrepreneurship development has not translated significantly to economic growth. Several attempt of economic diversification have played insignificant role in reducing the rate of poverty levels; over 62% of the country’s population live in abject poverty, with less than US$1 per day (The World Factbook, 2010). Nigeria being gifted with large reserves of human and natural resources is expected to build a thriving and vibrant economy, to reduce poverty, and provide health, education and infrastructure services to meet the challenges of the teeming population and other neighboring countries in Africa (The World Bank Group, 2014).

### Table 2.3.1 Growth Rate of Major Economic Activity in Nigeria 2006 - 2012

<table>
<thead>
<tr>
<th>Sectors</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>7.4</td>
<td>7.2</td>
<td>6.3</td>
<td>5.9</td>
<td>5.8</td>
<td>5.6</td>
<td>4.0</td>
</tr>
<tr>
<td>Mining &amp; Quarrying</td>
<td>−4.3</td>
<td>−4.3</td>
<td>−5.9</td>
<td>0.7</td>
<td>5.4</td>
<td>0.4</td>
<td>−0.6</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>9.4</td>
<td>9.6</td>
<td>8.9</td>
<td>7.9</td>
<td>7.6</td>
<td>7.5</td>
<td>7.6</td>
</tr>
<tr>
<td>Electricity, Gas &amp; Water</td>
<td>4.9</td>
<td>4.9</td>
<td>3.7</td>
<td>3.2</td>
<td>3.3</td>
<td>3.2</td>
<td>3.5</td>
</tr>
<tr>
<td>Construction</td>
<td>13.0</td>
<td>13.0</td>
<td>13.1</td>
<td>12.0</td>
<td>11.9</td>
<td>12.1</td>
<td>12.6</td>
</tr>
<tr>
<td>Wholesale &amp; Retail trade, Hotels</td>
<td>15.2</td>
<td>15.1</td>
<td>14.0</td>
<td>11.5</td>
<td>11.2</td>
<td>11.4</td>
<td>9.7</td>
</tr>
<tr>
<td>Finance, Insurance, Real Estate</td>
<td>6.7</td>
<td>6.9</td>
<td>6.8</td>
<td>6.1</td>
<td>6.1</td>
<td>6.1</td>
<td>6.2</td>
</tr>
<tr>
<td>Transport &amp; Communications</td>
<td>16.4</td>
<td>17.9</td>
<td>19.5</td>
<td>21.0</td>
<td>22.6</td>
<td>24.3</td>
<td>23.9</td>
</tr>
<tr>
<td>Public Administration &amp; Defense</td>
<td>4.5</td>
<td>4.5</td>
<td>4.4</td>
<td>4.4</td>
<td>4.2</td>
<td>4.1</td>
<td>4.2</td>
</tr>
<tr>
<td>Other Services</td>
<td>10.5</td>
<td>10.5</td>
<td>10.6</td>
<td>9.8</td>
<td>9.7</td>
<td>9.8</td>
<td>10.0</td>
</tr>
</tbody>
</table>


### 3.0 RESEARCH METHODOLOGY

In this study, research method adopted were mainly secondary sources derived from; scientific journals publications, books, online data base, e-libraries, student thesis searched through the internet using google engine. Again, archival data were retrieved through the source; African Statistical Year Book, the World Fact Book, and World Bank Group.

### 4.0 CONCLUSION

Based on African statistical data above, entrepreneurship development plays insignificant role on economic growth of Nigeria. In the Mining sector, the record of growth rate in 2006, 2007, and 2008 decreased from −4.3%, −4.3%, to −5.9%; increased from 0.7% to 5.4% in 2009 to 2010, and decreased again from 0.4% to −0.6% respectively. In manufacturing sector, study also found that the record of growth rate in 2006 to 2007 increased from 94% to 96%; subsequently decreased from 8.9 %, 7.9%, 7.6 % and 7.5 % between the periods of 2008, 2009, 2010, 2011, and 2012. Again, in the power sector, study also found that growth rate increased from 4.9% to 3.2 % between the year 2007 and 2009; increased from 3.3% to 3.5 % between the year 2010, 2011 to 2012 respectively. Again, in the construction sector, the rate of growth also increased from 13.0% to 13.1% from 2006 to 2008; then decreased from 12.0% to 11.9% between the periods of 2009 to 2010, later increased again from 12.1% to 12.6% respectively between the periods of 2011 to 2012. Study also found that other sectors such as finance, transport and defense sector also experienced both increase and decrease in growth rate of their major activities. Based on findings, the authors conclude that entrepreneurship development has not played significant role on economic growth of Nigeria economy over the time.
4.1 Recommendation

Based on conclusion, the following recommendations are made. Firstly, one of the major problems affecting the growth of entrepreneurship development in Nigeria is due to political instability in government and policy continuity of entrepreneurship programs. Every new government comes up with new policy measures without proper implementation. Due to high corruption in government, objectives of entrepreneurship program have not been fully utilized instead top government officials used it as an avenue to loot the nation’s treasury in the name of jumbo elephant projects mostly done on white papers. Study recommends that successive government should implement entrepreneurship programs.

Secondly, concerning major problems that affect entrepreneurs due to poor credit facilities, study recommend that government should introduce monitoring unit to oversee activities of commercial banks that operates under high interest rate. Given this situation, entrepreneurs would have opportunity to secure both short term and long term credit without high interest rate and collateral security. Again, government should partner with financial institution in the country in order to reduce loan default risk as well make available other sources of assistance to entrepreneurs.

Thirdly, on the issue of managerial problems, government should incorporate entrepreneurship studies in the curriculum of both primary and tertiary institution to train young and future entrepreneurs on how to own and manage small business. In addition, government should build regular training, seminars; research and development centres such as Small and Medium Enterprises Developing Agency to enhanced entrepreneur’s knowledge and development to boost maximum productivity.

Fourthly, government should set up competitive environment such as business incubation laboratory to encourage and support business ideas among students and graduates through provision of infrastructural facilities, affordable basic amenities, free offices, tax reductions among others.

Finally, corruption has eaten deep into the fabrics of government officials or public holders, study recommend that government should borrow a leaf from Giant Asian countries to implement death sentence on corruption to serve as a deterrent for others to learn. Apart from government effort in curbing corruption, individuals should also join hand in the fight against this virus.

REFERENCES


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