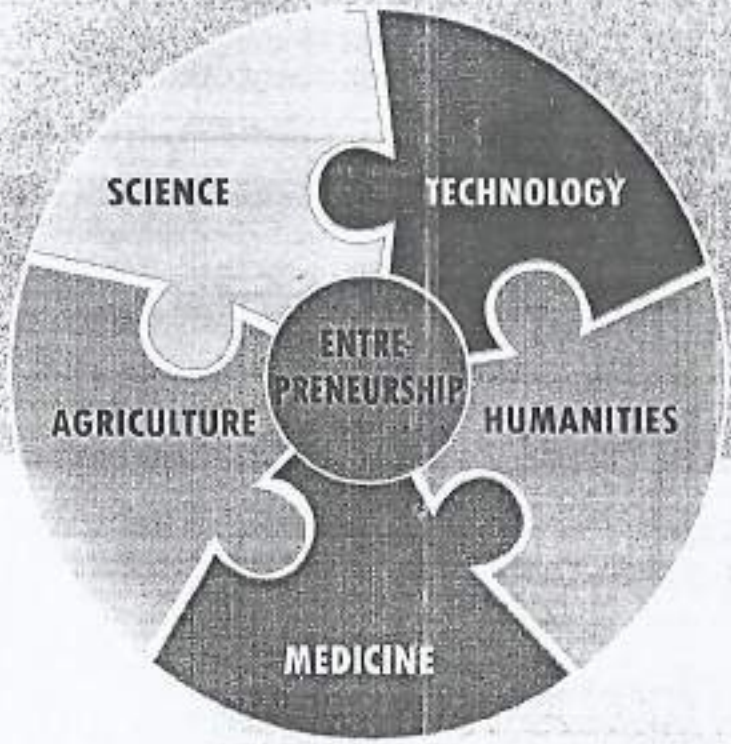
ENTREPRENEURSHIP FOR DEVELOPMENT:
A MULTIDISCIPLINARY APPROACH



EDITED BY:
Seth Akutson, PhD
Rahilatu Muhammad
Yakubu Musa

Published by:
Entrepreneurship Research and Development Centre
Kaduna State University, Kaduna-Nigeria.

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ISSN 978-978-54041-9-7
©May, 2017

Obtainable from the Editor:
Entrepreneurship Research and Development Centre
Kaduna State University, Kaduna-Nigeria.
E-mail:
etrepreneurship@kasu.edu.org/kasuentrepreneurship@gmail.com
Or sakutson@gmail.com
Telephone:+2348037218967; +2348036594660 or +2348066158705

Conference Every Second Week in October

Price (excluding postage) N3,500 (Nigeria)
US $15

NIGERIAN ENTREPRENEURIAL ENVIRONMENT

By

Gunu, U[1], Kilishi A[2] and Yakubu, A.T[2]

[1]Department of Business Administration, University of Ilorin, Ilorin

[2]Department of Economics, University of Ilorin, Ilorin Nigeria

ABSTRACT

Factors of production would remain idle and cannot produce anything if there is no entrepreneur to organize them for productive enterprise. It is the calculated effort of entrepreneurs that create value in society by producing products and services. Entrepreneurial activities create jobs and wealth for both the entrepreneurs and their employees. Thus, developing entrepreneurial activities for mass of people will go a long way in solving many socio-economic problems. However, the success of entrepreneurial activities depends on a number of factors called entrepreneurial environment. Therefore, this paper examined the characteristics of Nigeria entrepreneurial environment and compare it with other African countries, and various policies issues that stimulate entrepreneurial activities in the country. Selected indicators in the World Bank enterprise survey data were used. The data show that entrepreneurship activities in Nigeria is relatively lower than South Africa, Kenya, Ghana and Egypt. Nigerian government at different times introduced policies and programmes to stimulate entrepreneurship activities in the country. However, these policies and programmes could not yield desired result. It is therefore recommended that more important and radical efforts should be taken by government to improve the entrepreneurial environment in order to encourage more entrepreneurs to get involved in entrepreneurship.

1. INTRODUCTION

Factors of production such as land, labour and capital would remain idle and cannot produce anything if there is no entrepreneur to organize them for productive enterprise. It is the calculated effort of entrepreneurs that create value in society by producing what people want at different time periods. According to Gunu (2013) the growth of

capital, innovation and invention of new products as well as new production techniques in any society, all depend on the quantity and quality of entrepreneur. The skills, ability, interest and size of entrepreneurs determine the volume of business and economic activities in any society.

The activities of entrepreneurs do not only crate valuable goods and services, but also make these products available to the final consumers. The chain of activities of the entrepreneurs create jobs and wealth for both the entrepreneurs and their employees. Thus, developing and encouraging entrepreneurial activities for mass of people will go a long way solving many socio-economic problems such as unemployment, poverty and even insecurity. However, the success of entrepreneurial activities depends on a number of factors called entrepreneurial environment.

Nigeria is blessed with material, natural and human resources; however, unemployment and poverty remain the twin problem bedeviling the country. This may be the fall out of the inability of successive governments to create conducive entrepreneurial environment for interested entrepreneurs. Vibrant entrepreneurs operating in enabling entrepreneurial environment can create a strong economy where jobs and wealth are generated for majority of people. Therefore, this paper examined the characteristics of Nigeria entrepreneurial environment compare it with other countries in Africa, and the various policies issues to stimulate entrepreneurial activities in the country. Thus, the remaining part of the paper is divided into five sections: (i) the concept of entrepreneurship and entrepreneur; (ii) entrepreneurial environment; (iii) entrepreneurial environment in Nigeria and selected countries in Africa; (iv) policy issues; and (v) concluding remarks.

2. THE CONCEPTS OF ENTREPRENEURSHIP AND ENTREPRENEUR

Since French economist Richard Cantillon first coined the concept of entrepreneurship in about 1730, scholars are engaged in researching into entrepreneurship, entrepreneur and entrepreneurial activities. However, there is still no consensus on the meaning of

entrepreneurship. Joseph Schumpeter was the first to give a more modern definition of the concepts of entrepreneur and entrepreneurship in 1934. He defined entrepreneur as an innovator who implement entrepreneurial change within markets, where entrepreneurial change has 5 manifestations: 1) the introduction of a new or superior product; 2) the introduction of a new method of production; 3) the opening of a new market; 4) the exploitation of a new source of supply; and 5) the re-engineering/organization of business management processes. It is a process through which individuals identify opportunities, allocate resources and create value. The creation of value is often through the identification of opportunities for change. Entrepreneurship is known as the capacity and attitude of a person or group of persons to undertake ventures with the probability of success or otherwise. Entrepreneurship was also defined by Shane and Venkataraman (2000) as the creation and management of a new organization designed to pursue a unique, innovative opportunity so as to achieve rapid, profitable growth. Other authors such as Acs and Storey (2004), Minniti and Lévesque (2008), Naudé (2007), and Kanothi, (2009) see entrepreneurship as the act of risk-taking and co-ordination of factors of production in order to create new products or services for new and existing users in the society. It demands that the individual should be prepared to assume a reasonable degree of risks, be a good leader in addition to being innovative. Entrepreneurship could also be defined as the act of creating a new combination that ends one economics order and clears the way for a new one. It is a process by which economic and commercial activities necessary for the improvement of the standard of living of the society are created by entrepreneurs. Entrepreneurship bridges the gap between science, technology and the market.

The word *entrepreneur* was derived from a French verb *entreprendre*, which means "to undertake". An entrepreneur is therefore considered as a business person who develops a new idea and takes the risk of setting up an enterprise to produce a product or service which satisfies consumers need. All entrepreneurs are business persons, but not all business persons are entrepreneurs. An entrepreneur is a business

person if he/she is not satisfied with his/her performance and therefore, finds some special qualities and strength in order to achieve a total positive turn around in his/her business performance.

3. ENTREPRENEURIAL ENVIRONMENT

The difficulty of defining exactly what is meant by entrepreneurial environment stem from the lack of consensus on the meaning of the concepts of entrepreneur and entrepreneurship. Generally, entrepreneurial environment consists of all factors outside the trait and behavior of entrepreneur which influence the capability of entrepreneur to carry out entrepreneurship activities. Entrepreneurial success does not only depend on the business innovative ability and skills of the entrepreneur but also the environment in which the entrepreneurship takes place.

Entrepreneurial environment in this sense include factors such as social, economic, political, and infrastructural variables that are capable of either impeding or facilitating entrepreneurial activities in any society, Gunu (2013). According to Gnyawali and Fogel (1994) entrepreneurial environment encompasses the entire economic, social-cultural, and political factors which affect the willingness and ability of entrepreneur to embark on entrepreneurial activities.

These factors economic, social-cultural, political, infrastructure are broad measures of determinants of entrepreneurship activities which lack specificity. There is need for specific indicators of assessing the environment that affect entrepreneurship activities, so as to be able to gauge the conduciveness of entrepreneurial environment of different countries. Availability of such specific measures would equally help policymakers to know precisely what to do to improve the environment in order to encourage entrepreneurship in the economy. Gunu (2013) mentioned some of the indicators of measuring entrepreneurial environment which include quality and quantity of energy, transport infrastructure, sanitation, social welfare, access to finance, property registration, tax administration, contract enforcement, legal justice, and security among others.

Organization for Economic Cooperation and Development (OECD) developed indicators to measure entrepreneurship activities and its determinants (that is, entrepreneurial environment). The OECD measures of entrepreneurial environment consist of six indexes with thirty five (35) indicators. The indexes are: (i) regulatory frame work which has eleven indicators; (ii) market conditions with six indicators; (iii) access to finance with five indicators; (iv) knowledge creation and diffusion also has five indicators; and (v) entrepreneurial capabilities as well as (vi) culture has four indicators each. However, the statistics of these measures are only available for member countries. The World Bank has also developed a number of indicators to measure entrepreneurship activities and entrepreneurial environment. The Bank conducted enterprise surveys across all countries of the world to collect data on over one hundred and twenty (120) indicators to measure entrepreneurship activities and entrepreneurial environment.

4. ENTREPRENEURIAL ENVIRONMENT IN NIGERIA AND SELECTED COUNTRIES IN AFRICA

In this section the World Bank indicators are used to compare entrepreneurship activities and entrepreneurial environment in Nigeria and four other African countries, South Africa, Kenya, Ghana, and Egypt. The data is sourced from the Bank's enterprise survey data set, the data for African countries is only available for one year (2007) except Egypt which has two years 2007 and 2008. Twenty three indicators are presented in Table 1, the first seven are used to measure entrepreneurship activities in an economy. The average age of enterprises measures the tradition of entrepreneurship in an economy, it is clear from table 1, that Egypt has the oldest tradition of entrepreneurship activities, while Nigeria is the youngest. Performance of enterprise measure by capacity utilization is highest in South Africa, followed by Kenya and least in Nigeria. Number of full-time, skilled, unskilled and temporary workers measure both performance and impact of entrepreneurship activities in an economy. On the average Egypt has far more full-time workers than any of the countries considered in the table. Number of full-time workers is lowest in Nigeria, meaning that the impact of entrepreneurship activities in term of creation of full-time jobs is low in Nigeria compared to Egypt,

South Africa, Kenya, and Ghana respectively. The number of permanent skilled and unskilled workers are relatively lower in Nigeria. The years of working experience of top managers indicates the entrepreneurial skills in a society. On the average the experience in Nigeria is second to the least, with Egypt leading and Kenya at the bottom.

The remaining fifteen indicators are used to measure the environment or factors that affect entrepreneurship activities. The first indicator shows the percentage of bribe that on the average entrepreneurs give during public transactions. This could discourage or serve as threat to entrepreneurs who want to participate in entrepreneurship activities. Other indicators are average number of days it take to obtain license, number of hours electricity is off in a typical day and number of days of electricity outages in a typical month, proportion of electricity from generator, percentage of sales loss due to theft and vandalism, proportion of investment financed by banks and sales of equity/stock, and cost of security among others. The percentage of investment financed by banks and/or equity measure access to finance, which is an important entrepreneurial environment that determines financial capabilities of entrepreneurs. Access to energy/power is measured by duration of electricity outage and use of generator. The level of regulatory bottlenecks is measured by average days to obtain license and construction permit.

Nigeria's performance is relatively impressive in few of the indicators such as days to obtain construction permit and license. Nigeria outperforms all the countries in the former and in the latter Nigeria is second only to Ghana. Private domestic ownership of enterprises is equally highest in Nigeria. The proportion of inputs sourced domestically is highest in Nigeria, implying that the inputs for entrepreneurship activities are largely sourced from the domestic economy. This could have important feedback effect on other sectors of the economy such as agriculture. However, Nigeria's performance in some other indicators is not that impressive, for instance, Nigeria is leading in the percentage of bribe an average entrepreneur gives during public transaction. While in Nigeria the bribery index is 30.1, it is as

low as 3 in South Africa, though this is also high in Kenya with 27.2. In term of access to finance, only 1.3 percent of enterprises investment in Nigeria is financed by bank loan, while over 25 percent is financed by bank in South Africa, 15.5 percent in Kenya, 10.5 and 9.6 in Egypt and Ghana respectively. Generally, the proportion of investment financed by sales of equity or stock is low in all the five countries, and even Africa as whole. The data presented in the table show that Nigerian entrepreneurs face energy challenges as over 60 percent of electricity used by enterprises is generated from generator, and on the average there are more than 26 power outages in a typical month.

The findings of Nwibo and Okorie (2013) corroborate the statistics presented in the table 1. They collected primary data from selected 360 agribusiness enterprises in southeastern Nigeria, their results show that inadequate start-up funds and inadequate access to credit facilities, prevalence of theft and other crimes, bribery and corruption, poor legal system, poor infrastructural facilities, tedious registration and licensing procedure were the major challenges facing entrepreneurship activities in Nigeria.

Table 1: Selected Indicators of Entrepreneurship and Entrepreneurial Environment (2007)

Indicator	Nigeria	South Africa	Kenya	Ghana	Egypt
Measuring Entrepreneurship					
Age of the establishment (years)	9.6	15.7	11.5	15.3	23.8
Capacity utilization (%)	66.8	79.6	73.4	72.7	67.9
Number of permanent full-time workers	16.2	48.9	41.9	22.4	226.8
Number of permanent skilled production workers	9.6	25.7	52.8	20.6	93.9
Number of permanent unskilled production workers	8.6	17.2	38.6	7.3	61.7
Number of temporary workers	1.9	5.8	13.3	1.6	3.2
Years of the top manager's experience working in the firm's sector	10	13.8	8.9	15.7	17
Measuring Entrepreneurial Environment					
Bribery index (% of gift or informal payment requests during public transactions)	30.1	3	27.2	19.7	22.1
Days to obtain a construction-related permit	10.7	55	35.1	41.5	115.5
Days to obtain an operating license	12.1	36.2	23.4	6.4	80.1
Duration of a typical electrical outage (hours)	8.2	4.4	4.5	12.6	3
If a generator is used, average proportion of electricity from a generator (%)	60.9	10.9	14.7	29.5	14.8

Losses due to theft and vandalism against the firm (% of annual sales)	4.1	1	3.9	0.9	3
Number of electrical outages in a typical month	26.3	2.1	6.9	9.7	8.7
Number of water insufficiencies in a typical month	18.4	2.4	6.5	10.6	2.1
Proportion of investment financed by banks (%)	1.3	25.8	15.5	9.6	10.5
Proportion of investment financed by equity or stock sales (%)	0.1	0	0.1*	0.6	0.9
Proportion of private domestic ownership in a firm (%)	98.9	89.7	93.5	94.7	92.8
Proportion of total inputs that are of domestic origin (%)	90.1	85.4	66.1	73.4	75.4
Proportion of total inputs that are of foreign origin (%)	9.9	14.6	33.9	26.6	24.6
Security costs (% of annual sales)	1.8	1.6	2.2	1.2	0.1

5. RECOMMENDATIONS/POLICY ISSUES

The need for government to play significant role with respect to entrepreneurship development in Nigeria became more obvious immediately after the civil war. Government in the country has since then introduced various policies at different point in time to encourage indigenous entrepreneurship. These policies range from the Nigerian Enterprises Promotion Decrees of 1972 and 1977 and Nigeria Indigenization Policy which aim at creating opportunities for Nigerian indigenous businessmen, to so many other policies and programmes targeted at either providing funding to entrepreneurs or technical assistance as well as advisory services. Some of these policies and programmes as listed by Gunu (2013) and Sanusi (2003) included Industrial Development Centres (IDCs), Small Scale Industries Credit Scheme (SSICS), The Nigerian Industrial Development Bank (NIDB), The Nigeria Bank for Commence and Industry, National Directorates of Employment (NDE), National Economic Reconstruction Fund (NERFUND), Family Economic Advancement Programme (FEAP), People's Bank, Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), Small and Medium Enterprises Equity Investment Scheme (SMEEIS), and the recent You Win programme among others. The Central Bank of Nigeria (CBN) from inception use to specify in the credit guidelines the minimum share of banks credit that should be given to small scale entrepreneurs. However, due to the natural weaknesses and inefficiency of direct credit control by the CBN, this practice was discontinued and replaced by a system of

market mechanism, supported by moral suasion (Sanusi, 2003). Others are National Open Apprenticeship Scheme (NOAS) and Centres for Entrepreneurship Development (CED) which is made to teach and encourage students of institutions of higher learning how to acquire entrepreneurial, innovative, and managerial skills.

Sanusi (2003), Ebiringa (2012) and Gunu (2013) among others acknowledged that all these various efforts did not yield desire result. Some of the reasons for the failure of the policies and programmes are lack of continuity due to frequent changes of government policies, inadequate funds, poor monitoring system, and lack of commitment by government as well as other stake holders. Therefore, it is important for government and its agencies to be fully committed to whatever policies and programme introduced to promote entrepreneurial activities. There should be proper monitoring system, so as to ensure that the funds and other resources do not only get to the target population but are used for the intended purpose.

It is obvious from the data presented in Table 1 that access to finance is not the only obstacle to entrepreneurial growth in Nigeria. Hence, there is need for holistic reform which will create conducive entrepreneurial environment. Specifically, there is need to reduce the number of offices and officers that an entrepreneur have meet either to obtain license or pay tax or for any public transaction. This will reduce the number of bribes an entrepreneur gives during public transactions. The general problem of electricity should be addressed as a matter of urgent importance. The entrepreneurs and governments should take necessary steps to strengthen the security situation so as to reduce the loss due to theft and other criminal activities. In the whole there is need to promote entrepreneurial culture through initiatives that will build business confidence, positive attitude and social responsibility. It is also imperative to provide technological supports, encouraging inter-firm linkages and promote research and development.

CONCLUDING REMARKS

The paper discussed the concepts of entrepreneurship, entrepreneur and entrepreneurial environment, the features of entrepreneurship and entrepreneurial environment in Nigeria and four other Africa countries.

Selected indicators in the World Bank enterprise survey data were considered. The data show that entrepreneurship activities in Nigeria is relatively lower than South Africa, Kenya, Ghana and Egypt. Measures of entrepreneurial environment equally show that the Nigerian entrepreneurial environment pose a number of challenges and threat to potential entrepreneurs. The environment hindered and could further limit the ability of entrepreneurs to undertake entrepreneurship activities if nothing is done to make improvement.

Nigerian government at different times introduced policies and programmes to stimulate entrepreneurship activities in the country. However, these policies and programmes could not yield desired result due to a number of reasons such as lack of commitment, policy inconsistency, inadequate funds and monitoring system. It is therefore important to take more radical efforts to improve the entrepreneurial environment so as to encourage more entrepreneurs to get involved in entrepreneurship. If this happen, jobs and wealth will be created for majority of people, hence, the war against unemployment and poverty will be won in no time.

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