

Entrepreneurship: Issues and Solutions Evidence From Nigeria

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This paper discusses the evolution and current development of principles and practice of entrepreneurship in Nigeria. It also examines the effect of entrepreneurship in fostering economic growth and development. The methodology adopted was the narrative-textual case study (NTCS) method, which is preferred because of the absence of sequential data related to entrepreneurship and sustainable economic growth in Nigeria. However, interviews were also conducted. We recommend that there should be proper policy coordination and policy stability; reforms in the educational curriculum to prepare students for self-reliance; and fixing the power sector-Nigeria's basic infrastructure. When we have flourishing micro, small and medium enterprises (MSMEs), gainful employment will be created, wealth created will be distributed evenly and economy is developed.

Keywords: Micro, small and medium enterprises (MSMEs), GDP growth rate, Narrative-Textual Case Study (NTCS) and interview.

INTRODUCTION

What is Entrepreneurship? There are a number of definitions of the meaning of entrepreneurship. Some of these definitions include:

- It is the process of designing a new business by offering a product or service – Wikipedia
- It is the capacity and willingness to develop, organize and manage a business venture along with any of its risks in order to make a profit –Business Dictionary
- The entrepreneur is the owner who manipulates the factors of production. He manages the business alone with the help of two or more aids usually family members – Olafamyin (1979)
- The entrepreneur is a person who is able to look at the environment, identify opportunities to improve the environment, marshal resources and implement action to maximize opportunities – Onuoha (1994)

From the above, we can deduce that Entrepreneurship is the ability to create new productive ideas by maximizing the available resources to gain maximum output. Entrepreneurship when added up to land, labor, natural resources and capital can produce a profit. It involves having a new business opportunity and the subsequent decision and capability to exploit the opportunity found. It ranges in scale from sole proprietorships, part-time projects to large scale undertakings that create many jobs opportunities. Entrepreneurship when

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HISTORICAL BACKGROUND

Entrepreneurship started when people produced more than they needed and because of that, they had to exchange these surpluses with others who had surpluses too. Later these producers realized that they could concentrate on the production of more (specialization) and exchange with what they needed, the study of entrepreneurship dates back to the late 17th and early 18th century by Richard Cantillon and Adam Smith which has made a modern study of entrepreneurship a discipline of the management. According to Joseph Schumpeter in the 20th century as well as other economists like Carl Menger, Ludwig Von Mises and Friedrich Von Hayek, the term 'Entrepreneurship' was coined around the 1920s and the word itself borrowed from French. To J. Schumpeter, entrepreneurship resulted in new industries, creating new combinations of currently existing inputs.

Dating back to medieval Germany, a craftsman required a special license or permission to operate as an entrepreneur as proof or evidence of his competence which restricted the training of apprentices to the craftsman who held a certificate. In 1935 and 1953, a greater proof of competence was reintroduced and required that the craftsman obtain a Meister certificate to train apprentices and before being allowed to set up a new business. Historically, Nigerians were engaged in entrepreneurship, but it was a more family affair whereby the services of relatives like brothers, in-laws etc were highly utilized. Perhaps, like their European counterparts in Nigeria it started with craftsmanship and was mainly a family and community affair whereby a whole community/ village specialized in a particular craft. This was prominent and well known especially in the Northern and Western regions of the country with craftsmanship in pottery, wood carving, tannery, cloth weaving, jewelry making, to mention a few. These were traded for other items and transported to within and outside their regions.

With the eventual coming of the Arabs and later Europeans came a new type of trade and a generation of middlemen that bought from the craftsmen and sold to the consumers. Modern education also created a new elite group of entrepreneurship that dealt with trade in imported goods like machinery and automobile spare parts, textiles, etc. Often early modern entrepreneurs started out with a small capital usually gotten from their own savings and were engaged in retail or sole proprietorship. But entrepreneurship is becoming increasingly important in the development of many countries' economy. It is also a critical factor in the creation and implementation of growth and improvement strategies in other relevant development sectors. It is therefore under stable that country now prioritize the development policies aimed at encouraging entrepreneurship. – Drucker (1999)

According to Schumpeter (1934) prior to this, major literary work did not differentiate them from other participators in the sector like Capitalists, managers, family owned businesses, etc. He described entrepreneurs as an individual whose function was to carry out new combinations of the means of production. Vesper (1980) identified that a significant proportion of the value of that of the entrepreneur contributes to a system revolves around innovation. They are involved with the introduction of products to the market as well as inventing new methods of production

DETERMINANTS OF ENTREPRENEURSHIP AND HOW TO IMPROVE THEM IN NIGERIA

With the general growth of entrepreneurship in Nigeria, it is important to establish the determinants of entrepreneurship and how it can be worked on and improved in a country like Nigeria.

These include the following:

1. Innovation
2. Experience in chosen trade
3. Finance
4. Education

Innovation

This is a major determinant of entrepreneurship. To be an entrepreneur, one has to have an invaluable idea to sell. This needs to be full of new ideas and be creative so as to attract more of the public to crave his product or services.

The entrepreneurial activities in Nigeria are mainly middlemen with entrepreneurship in the actual production of goods and services mostly in the hands of expatriates. Nigerians lag behind in entrepreneurship not for lack of ideas, and creativity, but for lack of support from the government. The government and the public should ensure the encouragement and support to made - in Nigeria products, especially for those involved in blue collar activities.

Experience in choosing trade

This is also an important to entrepreneurship. Many entrepreneurs have had to close up their businesses due to lack of experience. An entrepreneur has to have experience in the trade of choice before venturing into it. He has to be aware of the cons and pros of his business. He needs to recognize who he can rely on if he wants his business to continue and expand. It would be a good advantage if a sort of entrepreneur apprenticeship is organized to help and encourage upcoming entrepreneurs to help them deal with the organization and management issues when they start up their businesses.

Finance

This is a very important key factor, to make money, one need to spend money. To start a business, an entrepreneur needs funds to be able to start the business and also to keep it afloat. He needs to have a financial analysis of his trade, how much he needs to put in, how much is coming in, how much of the profit needs to be put back into the business, how much to keep as profit etc. Most entrepreneurs in Nigeria start off with very little funds and this makes expansion difficult. There is a need to be a policy that can allow medium and small entrepreneurs (MSEs) to have access to funds from banks and other financial institutions to help their businesses grow.

Education

This is of course vital in entrepreneurship, although many say that it is synonymous to experience as experience is the best educator. Presently, literacy is very important in entrepreneurship. Apart from that, having a sound basic secondary and tertiary education is as important as learning the basics of his trade. In addition to learning to keep records, it encourages the entrepreneur to accept and easily adapt to new technology to help aid his business. Education helps the entrepreneur by providing him with much needed communication skills to reach out to prospective clients and the international market. In Nigeria, most entrepreneurs had little or no education and this had made communication with clients difficult and have also stunted the growth of their businesses. This can be improved by encouraging entrepreneurs especially in family owned businesses to send their younger generations to be educated especially in ways to improve their business outreach.

PROBLEMS FACING ENTREPRENEURS IN NIGERIA

- Nigerian Entrepreneurships reported that they have been frequently harassed by government officials who extort money from their businesses.
- Poor infrastructure like bad roads, water shortage, and inadequate water supply are some of the issues plaguing the private sector and their businesses.

- Difficulty in gaining bank credits and from other financial institutions
- General lack of government interest in the growth of entrepreneurship.
- Many entrepreneurs lack managerial skills to help in planning and organizing their enterprises.
- Inability to recruit and retain good employees and in turn possible good employees are reluctant to work with the private sector because they fill it lacks job security.
- Low average labor productivity
- Unemployment

LOW AVERAGE LABOR PRODUCTIVITY IN NIGERIA

Labor productivity, which is the amount of labor or work input required in producing a unit of output. In Nigeria, labor productivity from 2010 to 2014 per hour/annum was N639.34 i.e. about \$3.2. This is very low in comparison to other countries that have higher labor productivity like Brazil \$10.7/hr and Turkey \$28.9/hr. Nigeria's low labor productivity is mainly attributed to poor quality education, poor investment scale that supports small to medium scale businesses. The high unemployment rates that have plagued the nation has subsequently resulted in underemployment rates, which has gradually resulted in making job seekers settle for low pay employment. The percentage of low skilled labor is very high. Statistics show that only 11% of the labor force have post secondary education. In Nigeria, growth in labor productivity is constant, but it is slowed down high levels of unemployment as well as having very low skills.

Although Nigeria is said to have a labor intensive economy with an estimate of 50.13 Million workers (CIA World Fact Book, 2009) having the largest workforce in Africa. But it is highly underutilized and unutilized. This of course has led to an underperformance in the economy. The country needs to improve on productivity to get the highest possible level of performance so as to improve the country's economic outlook, to prevent migration of skilled workers and ensure productivity at the workplace.

'A country's capacity to improve its National Growth depends on the size of its labor force and in turn propels the country's productivity capacity and thereby increases output'

The evidence of redundant labor, poor income growth, poor or lack of training, poor level of technology, low level of capacity utilization, low investment expenditures as well as lack of proper infrastructure as factors that are responsible for low productivity (David Umoru & Jameela Yaqub, 2013).

STRUCTURE OF UNEMPLOYMENT IN NIGERIA AND ITS SOLUTIONS

Nigeria being one of the most populous African nations is supposed to have the ability to have almost or full employment. But this is so because it has a very high unemployment rate. The following are some of the causes of unemployment in the nation

Corruption: This is said to be one of the major causes of unemployment in Nigeria. Many public officials embezzle public funds to enrich themselves, which could have been used to create industries and programs and in the process have created unemployment opportunities. It is noted that to be

employed in the public sector, a graduate seeking employment has to bribe people to gain employment. Also, you find that senior officers try to hold on to jobs, i.e. refuse to vacate official seats by reducing their age so that they would not be retired on time. You also find what is called 'Ghost workers' in the government system, whereby a public servant is collecting the salaries of unemployed, retired and even dead workers. Sometimes, senior servants keep positions vacant so that it can later be occupied by a relative even if he was unqualified.

Inadequate Power Supply: Some wonder about the connection between power supply and unemployment, but almost all industries and companies need power in order to function effectively. The inability of Nigeria to provide adequate power supply has inevitably crippled the economy as many industries have been caused to shut down or cut down on expenses due to using generators which has made them to either reduce workers or close down completely thereby making more able bodied people without work. Inadequate power supply in the country has also reduced the number of investors coming into the country to invest.

Lack of Skills: This is another major cause of unemployment in the country. This can be attributed to the fact that the youth in the country favors white collar jobs rather than blue collar jobs. They turn away from jobs like farming, carpentry, mechanic work, etc. this in turn has made white collar jobs scarce and made cities over crowded.

Low quality of Education: The Nigerian educational sector seems to be pouring out more and more 'half baked' professional. The problem not only rises in the basic and secondary sectors but also in the tertiary education sector. Most teachers in schools (primary and secondary) are not qualified to teach while in the tertiary sector, the lecturers restrain themselves from teaching the students everything so that they (students) may not surpass them. Most government primary and secondary schools are not fully equipped with facilities to help aid in the teaching and learning carried out while others are too crowded having close to about 150 – 200 pupils per classroom for a teacher to make any learning impact on the children.

The Oil Boom: The oil boom of the 70's, 80's and 90's has made the country's to rely more oil. This has made its citizens to shy away from other natural resources that provide excellent employment. Many sectors of the economy have been neglected and thus many people have kept away from such to move closer to the 'happening' way of earning income.

SOLUTIONS TO UNEMPLOYMENT IN THE COUNTRY

- The first I would suggest would be for that the youth be trained in handy skills like mechanic work, tailoring, carpentry etc, anything that would make them not to be idle and redundant and make them useful and to be earning money no matter how little. The idea created by the present Buhari administration to give unemployed youth an allowance monthly is not advisable as it will encourage redundancy. But agree with them to train the youth to earn employment in other sectors of the economy.
- The government should ensure regular provision of power supply to industrial areas so that they can operate and be in production and thus in the position

- to employ more people. This in turn can perhaps encourage investors to come into the country to invest.
- iii. The government should look into the reason why the country has such a low quality of education. Although I would say that most of the qualified teachers do not work as teachers, but look for more lucrative employment while those left to teach are usually not trained professionally as teachers. The solution is to make the teaching job lucrative enough to attract trained teachers remain as teachers while those not trained as teachers to receive in- service teacher training.
 - iv. It is said that corruption is hard to get rid off, but it can be curtailed to a certain level. The government needs to curtail corrupt practices to its minimum. While it is probably easier for the government to control high ranking officials it needs to cast its eye on low ranking officials as well. Education can play an important role in discouraging the upcoming youth to desist from corrupt practices and to uphold the honor and righteousness.

- c. A system of business networking should be created to allow entrepreneurs to share information in the areas of finance, market information, availability of raw materials etc.
- d. The government should provide better incentives and support to encourage the establishment of family businesses.

The prosperity of the Nigerian economy like the rest of the world depends on an energetic private sector and when it has a group of well trained and highly motivated entrepreneurs should be established to lead MSEs to higher levels of growth which would contribute greatly to the economy. We recommend that there should be proper policy coordination and policy stability; reforms in the educational curriculum to prepare students for self-reliance; and fixing the power sector- Nigeria's basic infrastructure. When we have flourishing micro, small and medium enterprises (MSMEs), gainful employment will be created, wealth created will be distributed evenly and economy is developed.

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RECOMMENDATIONS AND CONCLUSION

In order to increase the standard of the Nigerian economy, the country needs to encourage the development of the private sector, which can be done by creating a favorable environment for the MSEs. It is relevant that Nigerian policy makers take appropriate steps to promote entrepreneurship. The following may be considered:

- a. Improve infrastructure such as power supply, water supply, good roads and rails.
- b. The government can encourage MSEs by being customers for their goods and services.