

# ENTREPRENEURSHIP DEVELOPMENT IN NIGERIA: ISSUES, PROBLEMS AND PROSPECTS

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**Abstract-** Many researchers and policy makers in industrialized countries of the world emphasized entrepreneurship development as the way to a sustained good standard of living of the nationals. The article point out that entrepreneurship development in Nigeria is very slow despite all the numerous programme and schemes that have been designed by different government at different times. Descriptive survey research method was used in this study whereby data collected from both primary and secondary sources were analyzed using percentages and mean scores, while the hypothesis were tested with Chi-square. The result indicated that apart from the known problems of inadequate capital and lack of competent and skilled management, there are other challenges that hinder entrepreneurial activities in the economy. The Nigerian business environment is facing a lot of problems as a result of epileptic power supply, violent clashes of militant groups, kidnapping, looting, arson, and so on. The study concludes among others that with the introduction of business incubators into the system, proper handling of political and social economic problems, privatization and commercialization of power sector and provision of alternative source of power supply, entrepreneurship development has a lot of prospects in the country.

## I. INTRODUCTION

Entrepreneurship is a key factor in any economic activity. For a sector to be competitive and contribute effectively to sustain growth, it requires increased private investment. This development must result in an enhanced productivity to stimulate and to be proper; it must also generate employment opportunity.

There can be no gain-saying that Nigeria has long recognized the importance and valuable contributions that small and medium enterprises (SMEs – often disaggregated into micro-enterprises and SMEs) as a major source of new competition can make to poverty alleviation, wealth creation, employment generation and private sector development. The SMEs, especially micro –enterprises have for long offered safety net for the survival of the poor, unemployed youths and women including the emergent “new poor”, this is as well as being the nursery-bed of entrepreneurship development in the nation. These SMEs have consistently served as a vehicle not only for the poor to raise their income but also acquiring and applying skills to raise productivity for indigenous (and may be multinational) private sector growth, providing better wage earning opportunities for the majority of the polity (70%) that are poor while raising our national income. It is for these reasons that successive Nigerian governments, since independence, have always tried to promote SME sector

through a complementary range of fiscal, financial and advisory services.

Entrepreneurship is the dynamic process of creating incremental wealth. The wealth is created by individuals who assume the major risks in terms of equity, time and career commitment or provide value for some products or unique, but value must somehow be infused by the entrepreneur by receiving and locating the necessary skills and resources. Entrepreneurship is also the process of getting into the managing your own business enterprise.

Whereas entrepreneurs are individuals or persons, entrepreneurship is a process. At times the terms “entrepreneur” and “owner manager” are used interchangeably as if they mean the same thing because entrepreneurship is inextricably linked to small business management. Entrepreneurs are often both owners and employees and a considerable number of them are of them are small business owners or managers. Such people are risk takers, creative, innovative, independent, hardworking and posses other qualities that are driving force behind any entrepreneurial activities in the economy. These entrepreneurial activities significantly affect the economy of an area by building the economics of an area by building the economic base and providing jobs.

The focus of this paper is therefore, to explore the different new sets of entrepreneurship education in Nigeria, to determine what the problems, issues militate against entrepreneurship development in Nigeria and proffer solutions to them.

### A. *Statement of the Problem*

The main problem of this study is to identify the issues and problems that militate against entrepreneurship development in Nigerian and the prospects.

### B. *Objectives of the Paper*

This paper seeks to contribute to the analysis of entrepreneurship development by exploring the different models of entrepreneurship development in Nigeria. Therefore, the objectives of the study are to:

- i. Identify the problems that militate against sustainable entrepreneurship development in Nigeria.
- ii. Examine critically the sources of these challenges.
- iii. Examine the prospects of entrepreneurship development in the nation’s economy.
- iv. Proffer solutions to these issues and problems that militate against entrepreneurship development in Nigerians.

### C. Hypotheses Formulation

These hypotheses were formulated for collection of data for the study.

- i. Lack of competent and managerial skills by the entrepreneurs militate against the development of entrepreneurship in Nigeria.
- ii. Relationship exists between adequate provisions of capital to the entrepreneurs and the success of entrepreneurship development in Nigeria.
- iii. Relationship exists between socio-economic, political and environmental factors and the development of entrepreneurship in Nigeria.

The following research questions will be answered in order to identify and examine entrepreneurship development programme in Nigeria and proffer solutions to them.

1. To what extent does availability and accessibility of capital affect entrepreneurship development in Nigeria?
2. To what extent does lack of competent and management skills of the entrepreneurs affect entrepreneurship development?
3. How do socio-economic and political environmental factors affect the development of entrepreneurship practice in the economy?

### D. Entrepreneurship Definition and Theoretical Overview

These are many definitions of entrepreneurship in the literature as there are entrepreneurs. It is by no means a new concept and its origin can be traced back to the 118<sup>th</sup> century when Richard Cantillon first grouped economic agents into three categories; land, finance and wage earners and those economic agents who engage in market exchange for profit at their own risk. Others like J.B. say actually coined the word entrepreneur to denote one who shifts economic resources from an area of lower into an area of higher productivity and greater yield (Drucker, 1985:23). Schumpeter in his theory of economic development perceived the entrepreneur as the mechanism for economic change. It was indeed Schumpeter who differentiated that the entrepreneur is not a manager who supervises the productions process, carrying out routine activities on the basis of past experience without any exploration of change but one who risks uncertainty and engages in activities that have not been undertaken before. In other words, the entrepreneur is one who makes “new combinations” in production.

An entrepreneur then, is one who fills the role of an entrepreneur outside the organization. The entrepreneur dreams, invents, creates and figures out how to convert an idea or dream into a profitable reality. The entrepreneur is an agent of change and societal hope for tomorrow. This is a person who demonstrates the capability to see and evaluate business opportunities, to gather the necessary resources to take advantage of them and initiates appropriate actions to ensure success. The entrepreneur is action oriented, highly motivated and takes calculated or moderate risks to achieve goals

### E. What then is Entrepreneurship

Entrepreneurship is the function of being creative and responsive within and to the environment. Entrepreneurship

### F. Entrepreneurship Theory in Nigeria

The development of entrepreneurship theory in Nigeria according to Akeredolu – Ale (1975:5-6) is of the opinion that the entire entrepreneurial theory today differs from what it had been in the pioneers, in its orientation and its substance. Kilby (1971:2) describes the entrepreneurial function as the bringing together of the factors of production and the provision of continuing management as well as risk bearing.

Efforts aimed a stepping up indigenization of the private sector in Nigeria were made early in 1956 when the Federal Loans Board was established to carry on the lending activities of the British Colony department board which was disbanded. Onah (2004) summarizes these programmes and shares as follows:

- a) The small-scale industries scheme (1970s).
- b) The Nigerian Bank of Commerce and Industry Loan scheme
- c) The Special fund for small scale enterprises loan scheme 1980.
- d) The National Economic reconstruction fund 2001 to date.
- e) Small and medium equity investment scheme 2001 to date
- f) The small and medium enterprises development Agency of Nigeria (SMEDAN)

### G. Problems of Entrepreneurship Development in Nigeria

Some studies have been carried out on entrepreneurship development in the Nigerian industry. Some of the early studies are those of Schaty and Edo Kpayi (1962) and Akeredolu-Ale (1972). The 1962 study of Edokpayi was to determine the reactions of Nigerian businessman to government to encourage Nigerian private enterprises. The study was limited to western Nigeria and has serious reliability problem. Notwithstanding these short comings, the result of the findings shows that:

- Inadequate capital is the main problem
- Lack of organizational and management skills is another important problem; and
- Most of the businessmen misapplied the loan for another purpose.

From another perspective, Schatz and Edokpayi also report in their study of economic attitude of Nigerian business that inadequate capital is a major setback, but were silent on management skills and expertise. However, a review of Oranpo’s (1967) findings in his 1968 – 1970 study re-echoed that entrepreneurship development is challenged by

inadequate capital and lack of management and organizational skills and expertise.

Onuoha (1994), Obeleagu Nzebulo (2000) are all of the opinion that inadequate capital, incompetent management, lack of technological and infrastructural facilities are the common problems, among others. Ndubuisi (2004), from another perspective, is of the opinion that apart from the known problems that have been mentioned earlier, other challenges include the following:

- Arbitrary challenges in the administration of law by the government which spreads the element of uncertainty among the entrepreneurs.
- Lack of insufficient infrastructure and high cost of production.
- Market imperfections, which deny potential entrepreneurs the resources, they need for organizing new entrepreneurs.
- High risk involved in new enterprises.
- Low status of business in the eyes of the public and
- Restrictive effects of customs and traditions.

#### H. Sources of Funds by Entrepreneurs

There seems to be no ending of entrepreneurs complaining of inability to source for enough fund and difficulty in doing so successfully. There has been a decline in percentage of total loan portfolio advanced to SMEs by Banks. Alamode (2007) discloses that in 1992 total loan from banks to SMEs decline in 2006. Percentage of banks total loan to SME declined from 9% to 32%. At current 100%, it is less than 22% in South Africa and 20% in India. Even at that there is still the difficulty in accessing these loans by these entrepreneurs because most of them are unable to prepare good and bankable business plans/feasibility reports.

#### I. Entrepreneurial Environment

A nation's environment has a significant impact on the level of entrepreneurship while a number of ingredients point to the continual growth of environment that is conducive for entrepreneurship development in other parts of the world. It is not so in Nigeria. More so, the importance of environment for entrepreneurship development is not lost to modern leaders. This is because they believe that when human beings are liberated to become entrepreneurs, their self interest becomes harnessed to the needs of the market place. The more freedom created for entrepreneurs to please customers, the greater the opportunity that one will have the chance to buy what one wants and live in the manner in which one chooses to live (Zaki, 2007).

This is not so in Nigeria where socio economic problems, political instability and religious intolerance have been identified as the major challenges of entrepreneurship development. Socio economic problems have mixed up with political aberrations in Benue, Plateau, Niger Delta Regions, Lagos and in almost the entire country giving birth to violent armed robbery, arson, vandalisation of oil pipelines and most recently kidnapping by Niger Delta militants. Under this type of environmental conditions, entrepreneurs suffer as their properties are destroyed. In the Northern states of Nigeria, the Muslim fanatics attack non indigenes (especially the Igbos) at

a slightest excuse, looting and burning down their shops, as well as killing some of them; all in the name of Boko Haram,(which means that western education is bad and evil). These actions have discouraged many entrepreneurs that survived the mayhem, while those who are aspiring to start a small business in such areas have relocated or completely changed their businesses.

#### J. Prospects of Entrepreneurship Development

The depressing scenario of poverty painted by current human development indices is indicative of the challenges and prospects of our EDP strategies for promoting SME as vehicle for poverty reduction. Going by available trends of macro-economic indications, Nigeria might attain the level of wealth it had 40 years ago and unless the political will changes policy wise it could take another 40 years before the nation returns to the level of per capita income of post independent 1960s. This then is the situation that calls for a strong repositioning of our EDP strategies.

In Nigeria, entrepreneurs face challenges such as tightening corporal governance, pulling financial systems; technologies and processes and introducing quality assurance. Presently, with the on-going economic transformation in Nigeria, a solid foundation for economic growth and efforts to create an environment where businesses can grow profitably is being made. Entrepreneurs in Nigeria are therefore encouraged to recruit experienced hands – on management from abroad or mentor and train their staff so that they can build skills throughout the business.

Another important scheme the Federal government has embarked upon is the conversion of the community Banks to micro finance banks in Nigeria. This micro finance scheme is the provision of money to entrepreneurs or individuals for short period without the traditional forms of collateral.

Many new forms fail, not because they are not innovative enough but because in their stage they have difficulty in competing. Therefore the basic concept of incubator is to nurture entrepreneurial activities so as to provide start-ups with necessary services and support until them mature and ready to enter successfully into the competitive business environment.

In Central and Eastern Europe where entrepreneurial activity like in Nigeria has been low, incubators are sought to play an important role in initiating entrepreneurial activities. The idea of designing incubators in rural areas like those we have in Nigeria is to:

1. Encourage skilled and professional people who have left the community to come back to the region to start new companies.
2. Provide job opportunities for high-tech graduates.
3. intensify training programme to build the vocational skills of its members and
4. Foster greater access to capital for startup firms.

## II. RESEARCH METHODOLOGY

The objective of this study and the nature of the data gathered determined the appropriateness of the descriptive method that was adopted for this research. This study therefore worked with both primary and secondary data. The

primary data were sourced through sets of questionnaires designed for collecting data from the entrepreneurs and managers/accountants of Micro Finance Banks in Enugu State of Nigeria.

Purposive sampling method was adopted for collecting data from micro finance banks in Enugu State. Fifteen (15) micro finance banks were selected from thirty-six (36). Both the managers and the accountants of these 15 selected MFBs were selected with 30 copies of the questionnaires and all of them were duly completed and returned. Based on the known fact that entrepreneurship is linked to small businesses management, a sample of 364 entrepreneurs was drawn from an estimated populations of 1,500 of small business entrepreneurs found with the locality of the 15 selected MFBs in Enugu State. With 290 returned copies of questionnaires from the research expert assistant, the response rate of 80% was deemed impressive and adequate. The data were presented in tabular form and analyzed percentages and mean scores, while the hypothesis was subjected to chi-square test.

The secondary sources used both published and unpublished materials from text books, journals, dailies and magazines.

### III. RESULTS AND DISCUSSION

The findings of the results are analyzed under three headings:

- a) Challenges of entrepreneurship development in Nigeria – The problem of inadequate capital.
- b) Lack of competent and skilled management of the business enterprises.
- c) The effect of turbulent socio-economic political environment and entrepreneurship development.

#### Challenges of Entrepreneurship Development

The study shows that there are many problems and challenges that have affected entrepreneurial activities in the economy:

1. Connotes no problems
2. Connotes problem
3. Connotes serious problem
4. Connotes very serious problem

Table below shows whether they have encountered problems/challenges or not in their entrepreneurial activities.

**Table 1:**

Options	Frequency	Percent
Yes	259	89.2
No	31	10.8
Total	290	100

#### Source: Field Survey

Table above shows that inadequate capital, lack of competent and skill managers and misapplication of loans for other purposes are very serious challenges that have worked against entrepreneurship development in Nigeria.

#### Hypothesis Testing

The first hypothesis which states that relationship exist between adequate provision of capital to the entrepreneurs and the success of entrepreneurship development in Nigeria was tested using chi-square ( $X^2$ ) which measures the degree of associating between variables.

In other words, the problem of making adequate capital available to entrepreneurs has remained the major constraint in entrepreneurship development.

The establishment of Small and Medium Industry Equity Investment Scheme (SMIES) by CBN and the creation of Bank of Industry (BOI) by Federal Government were supposed to have helped solved this problem. This is because some entrepreneurs that are seeking for financial assistance do not operate within the growth sectors of the economy, while some banks shy away from giving loans to entrepreneurs.

**Table 2: Inadequate capital as major challenge of entrepreneurship development**

Options	Micro Finance Banks	Entrepreneurs	
	Manager & Accountants		
Strongly Agree	15 (50)	220	235
Agree	10	56	66
Disagree	3	10	13
Strongly Disagree	2	4	5
Total	30	290	320

**Table 3: Lack of competent and skilled management as a major problem of entrepreneurial development.**

Options	Response		Total
	Micro Finance Banks	Entrepreneurs	
Strongly Agree	19	170	189
Agree	5	55	60
Disagree	4	41	45
Strongly Disagree	2	24	24
Total	30	290	320

#### Hypothesis Testing

The second hypothesis states that the problems of entrepreneurship development in Nigeria are due to lack of capital and management skills of the entrepreneurs and this was tested with chi-square. This clearly shows that apart from adequate sourcing of capital, lack of competent and management skills of the entrepreneurs is still a serious handicap in entrepreneurship development in Nigeria.

This is an agreement with Onah (2004) that apart from other known problems like lack of inability to source adequate capital, most Nigerian entrepreneurs are not competent because they lack management and technical skills to operate. Directors, captain of industries misapply the loan from banks to taking chieftaincy titles and other projects. In addition, some entrepreneurs lack management skills to run the business might lead to inability to manage available resources wisely.

**Table 4: Environmental influence on entrepreneurship development**

Options	Micro Finance Banks	Entrepreneurs	
Strongly Agree	15	169	189
Agree	8	50	58
Disagree	4	45	49
Strongly Disagree	3	26	29
Total	30	290	320

Table 5 above shows that both the managers and accountants of banks and entrepreneurs are positive that socioeconomic and political uncertainties affect their business activities.

### Hypothesis Testing

Hypothesis three states that relationship exist between political, economic and socio cultural environmental factors and entrepreneurship development in Nigeria was further subjected to statistical test using chi-square ( $X^2$ ). This shows the environment of any nature significantly impact on the level of entrepreneurial activities. An environment that experiences eruption of violence, vandalism of property, armed robbery, looting can never be conducive for entrepreneurship growth.

In summary, the study has shown the entrepreneurship development in Nigeria is faced with many problems, but recent development in the country have increased these challenges.

### IV. RECOMMENDATIONS

The findings of the study indicate that entrepreneurship is a prime mover in development and that is why nations, regions and communities promote entrepreneurship development demonstrate much higher growth rates and consequent higher levels of development. The study therefore recommends that:

1. There should be sound national economic policy with respect to SMEs, including recognition of the vital contribution of entrepreneurship to national economic development.
2. There should be programmes for the development and channeling of entrepreneurial talent. The banks should therefore redirect entrepreneurs' efforts to the right duration through provision of special financial packages and expertise in a given field of business.
3. There is the need to revitalize the institutions supporting the development of entrepreneurship as well as strategic development alliances in order to provide quick fund and expertise to entrepreneurs in Nigeria.
4. Business incubators should be established as they play very crucial role in initiating entrepreneurial activities.
5. A stable national environment should be created both good foundations policies for macroeconomic stability. This should involve producing a panacea to

all the factors that a responsible for turbulent, unstable and violent environment.

### V. CONCLUSION

This study has revealed that development of entrepreneurs and entrepreneurship is important and can be stimulated through a set of supporting institutions. However, there are a lot of challenges, but there are also prospects especially when resources in form of capital and human resources one made available in a conducive environment.

In conclusion, the challenges of entrepreneurship development in Nigeria are largely that of sourcing of a capital, expertise in management of the business, poor investment decisions. The present government indicates that there is bright future for Nigeria entrepreneurs.

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