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# Entrepreneurship and Sustainable Economic Growth in Nigeria

**Dr. Sunday Edesiri Akiri, Iliya Dan Iliya & Francis O. Adi**

Department of Economics  
Benue State University Makurdi  
Nigeria

## Abstract

The importance of entrepreneurship as a realistic tool for economic growth in Nigeria is enormous, considering the experiences of developed economy like united states and emerging economies like china and India. This paper postulated that entrepreneurship has been instrumental in economic growth and job creation in most dynamic economics where technology is changing at a faster rate and the product life cycle is becoming smaller. This paper adopted Narrative - Textual case Study (NTCS); for its analysis. It is a social science research method that relies on information and data from several sources for problem-solving or problem-identification. The paper reveals that business environment for entrepreneurship is insufficient in Nigeria on the challenges of power and other infrastructural facilities. The paper therefore recommended that government should focus on capacity building, improving infrastructural facilities and enabling environment which will lead to entrepreneurship development and sustainable economic growth.

**Keywords:** entrepreneurship, Economic growth and development.

## 1.0 Introduction

The socio-economic impact of entrepreneurship on the sustainable economic growth of the Nigerian economy is difficult to accurately measure or estimate, but it is believed to be highly dynamic and significant (Oyelola, Ajiboshin, Raimi, Raheemi, Ige 2013). However, a study estimated that between 45 and 60 percent of the urban labour force work for small private enterprises or what is otherwise called small businesses Nwaka, (2005). Another study suggests that entrepreneurship has been beneficial because the Nigerian private sector comprising of small and medium enterprises provides diverse employment opportunities for 50 percent of the country's population and 50 percent of its industrial output, Ariyo (2005).

On account of encouraging entrepreneurial initiatives, the country has experienced exponential growth in the number of private firms. However, majority of these businesses are very small when their operations are measured in terms of capital, employment and revenues (Attahir and Minet, (2000). Added to the above is difficulty confronted by small businesses in accessing bank credits, but the most serious and damaging problem threatening the state of entrepreneurship in Nigeria is a poor of government interest and support for micro, small enterprises Chu et al., (2008). Besides, entrepreneurship and small and medium enterprises development is hampered by surplus of challenges like bad roads, bribes by government officials, multiple taxes, epileptic power supply and rising overhead costs on transportation and communication. Nigeria is naturally endowed with entrepreneurship opportunities; however the realization of the full potential of these opportunities has been dampened by the adoption of inappropriate industrialization policies at different times. Several policy interventions that were aimed at

stimulating entrepreneurship development via small and medium scale enterprises promotion, based on technology transfer strategy, have failed to achieve the desired goals as it led to the most indigenous entrepreneurs becoming distribution agents of imported products as opposed to building in-country entrepreneurial capacity for manufacturing, mechanized agriculture and expert services. All these challenges and similar others have attracted global attention (Business Environment and Enterprise Performance Surveys, 2007). This paper, therefore, discusses how Nigeria can attain a sustainable economic growth through the efforts of the entrepreneurs and the government.

The main aims of this paper is to highlight the challenges facing entrepreneurship and sustainable economic development in Nigeria using Narrative - Textual case Study (NTCS) Analysis. With the challenges highlighted, realistic recommendations would be proffered with hope to move the nation forward.

## **2.0 LITERATURE REVIEW/CONCEPTUAL REVIEW**

Here we will presents conceptual framework of the study, review of relevant literature, theoretical framework and empirical literature.

Entrepreneurship is the creation and management of a new organization designed to pursue a unique, innovative opportunity and achieve rapid, profitable growth (Shane and Venkataraman, (2000). Kanothi (2009) defines entrepreneurship as an unrehearsed combination of economic resources instigated by the uncertain prospect of temporary monopoly profit". Entrepreneurship also entails the act of risk-taking, innovation, arbitrage and co-ordination of factors of production in the creation of new products or services for new and existing users in human society. Kanothi, (2009). The deliverable of entrepreneurship is making or doing things differently; making or providing innovative products or services; or organizing how the products are made or supplied.

Economic growth on the other hand is the increase in the value of the goods and services produced by an economy. It is conventionally measured as the percentage rate of increase in real gross domestic product, or GDP Jones, (2002). Growth is usually calculated in real terms, i.e. inflation-adjusted terms, in order to net out the effect of inflation on the price of the goods and services produced. In economics "economic growth" or "economic growth theory" typically refers to growth of potential output, i.e., production at "full employment," which is caused by growth in aggregate demand or observed output Erbee and Hagemann, (2002).

## **3.0 EMPIRICAL LITERATURE**

Oladele, Akeke, and Oladunjoye (2011) carried out research on Entrepreneurship Development: A Panacea for Unemployment Reduction in Nigeria. The paper examines the need for promoting employment in Nigeria through the development of entrepreneurship. The paper relies on secondary data from the Central Bank of Nigeria's Statistical Bulletin and CIA Fact Sheet and other institutional publications to provide empirical basis for the study. A multiple regression statistical tool was used for analysis. The result did not support the theoretical formulation in the study. The paper however, concludes that the government and its agencies should deliberately encourage entrepreneurial culture and skills in Nigeria in order to attack the level of unemployment situation in the country.

Matthias and Walter (2014) carried out research on the Stability of Preferences: Repercussions of Entrepreneurship on Risk Attitudes. In the paper, they showed that entry into entrepreneurship

itself plays a decisive role in shaping risk preferences. They also found that becoming self-employed is indeed associated with a relative increase in risk attitudes, an increase that is quantitatively large and significant even after controlling for individual characteristics, different employment status, and duration of entrepreneurship. The study concluded that risk attitudes do not remain stable over time, and individual preferences change endogenously.

Ogbo and Nwachukwu (2012) carried out research on the Role of Entrepreneurship in Economic Development: The Nigerian Perspective. The paper analyzed the contributions of entrepreneurship in the economic development through small and medium enterprises development in Nigeria. A total of 100 SMEs were randomly selected from a cross section of a population of all small and medium enterprises spread around some states of Nigeria and covering virtually all forms of enterprise. Participants were selected through a simple random sampling. The responses to the questionnaires were complemented with personal interviews of some small and medium enterprises operators. The responses of the participants were analyzed using the statistical package. The major findings of the study small and medium enterprises played and continue to play significant roles in the growth, development and industrialization of many economies the world over. In the case of Nigeria, small and medium enterprises have performed below expectation due to a combination of problems which ranges from attitude and habits of small and medium enterprises themselves through environmental related factors, instability of governments and frequent government policy changes etc. the paper conclude that Promoters of SMEs should thus ensure the availability or possession of managerial capacity and acumen before pursuing financial resources for the development of the respective enterprise.

#### 4.0 Economic Growth in Nigeria

The Nigerian economy is one of the most developed economies in Africa. According to the UN classification, Nigeria is a middle-income nation with developed financial, communication and transport sectors. It has the second largest stock exchange in the continent. The petroleum industry is central to the Nigerian economic profile. It is the 12th largest producer of petroleum products in the world. The industry accounts for almost 80% of the GDP share and above 90% of the total exports. Outside the petroleum sector, the Nigerian economy is highly unstructured and lacks basic infrastructure. Several failed efforts have been made after 1990 to develop other industrial sectors (Economy Watch, 2010)

GDP per capita of Nigeria expanded 132% in the Sixties reaching a peak growth of 283% in the Seventies. But this proved unsustainable and it consequently shrank by 66% in the Eighties. In the Nineties, diversification initiatives finally took effect and decadal growth was restored to 10%. Due to inflation, per capita GDP today remains lower than in 1960 when Nigeria declared independence. About 57 percent of the population lives on less than US\$1 per day. In 2005 the GDP real growth rate was 6.90 % composed of the following sectors: agriculture, 26.8 percent; industry, 48.8 percent and services, 24.4 percent. Compare to 2009 GDP of 3.80 %, composed of agriculture, 33.4 percent; industry, 34.1 percent; and services, 32.5 percent (CIA World Fact book, 2010).

Table 1: Growth Rates of Major Sectors in Nigeria, 2008 - 2009

Sector	2008 (%)	2009 (%)
Agriculture	6.3	6.2
Mining and Quarrying	-5.9	-1.0
Manufacturing	8.9	8.5

Electricity, Gas and Water	4.0	3.6
Construction	13.1	12.9
Wholesale & Retail Trade, Restaurants Hotels	14.0	11.6
Finance, Insurance, Real Estate, Etc.	6.8	6.4
Transport And Communications	19.3	20.9
Public Administration And Defense	4.4	4.5
Other Services	10.3	10.0

Source: Africa Year Book 2010 By African Development Bank

Table 2 below gives more insights into the nation's economic performance from 2000-2010. The real GDP in 2000, 2001, 2004, 2007 and 2009 were 3.8, 3.5, 7.1 and 5.3 respectively. This indicates a zigzag and inconsistent economic growth in Nigeria. The dividend of real GDP growth even when there is an increase has not been judiciously used for sustainable economic programme like entrepreneurship development and small business promotion. Consequently, the capacity utilization of the economy from 2000 to 2009 fluctuated between 36% and 50%. This has been blamed largely on frequent power outages, multiple taxes and other challenges to entrepreneurship development (BEEPS, 2007).

Table 2 Nigeria: performance of the economy, 2000 - 2010

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Real GDP growth (%)	3.8	3.5	3.5	3	7.1	6.2	6.9	5.3	6.4	5.3	5.8
Population growth (%)	2.67	2.61	2.54	2.53	2.45	2.37	2.38	2.379	2.025	1.99	2.0
Unemployment rate (%)	3.6	28.0	28.0	28.0	28.0	4.9	2.90	5.80	4.9	4.9	4.9
Manufacturing capacity utilization	36.1	42.7	54.9	56.05	55.7	55.88	53.3	54.6	NA	NA	NA
Inflation rate (%)	6.9	16.6	12.9	14.20	13.8	16.5	13.8	10.5	5.4	11.6	11.5

Source: the central; bank of Nigeria, 2010

## 5.0 APPROACH AND METHODOLOGY

The methodology employed in this paper is 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. NTCS is a social science research method that employs intensively, the information, data and academic materials made available and easily accessible by information and communication technology facilities such as intranet, internet, World Wide Web, online databases, e-libraries etc Oyelola et al (2011). The method is convenience to combines the use of quantitative and qualitative observation, text content analysis and available official statistics in different proportions for problem-solving or problem-identification depending on the objectives of the research.

**6.0 RESULTS/OUTCOMES OF NTCS** Challenges Affecting Economic and Entrepreneurship Development. Nigeria despite its abundant natural and human resources is unfortunately faced with some challenges which in the recent years have surged appreciably cause serious set-backs

to entrepreneurship development. With specific reference to the SMEs, they are faced frequently harassment from the government officials who extorted money from their businesses. In addition, there is paucity of infrastructure including bad roads, water shortage, erratic supply of electricity, and poor telecommunication system Chu, Hung M. Kara, Orhan and Benzing Cynthia (2008). Added to the above discouraging challenge is difficulty accessing bank credits, but the most serious and damaging problem threatening the state of entrepreneurship in Nigeria is a little of government interest and support for micro, small enterprises Ariyo, (2005). Furthermore, the Business Environment and Enterprise Performance Surveys (2007) identified fifteen (15) critical challenges facing businesses in Nigeria. These include: access to finance, access to licenses/permit, corruption, courts, crime/theft/disorder, customs & trade registration, electricity, inadequately educated workforce, labour regulations, political stability, practices informal sector, tax administration, tax rates and transportation.

More importantly, a survey conducted by the Manufacturers Association of Nigeria (MAN) lends credence to BEEPS/World Bank 2007 survey. The recent MAN survey reveals that a total of 834 manufacturing companies closed down their operations in 2009. This is consequent upon the companies "inability to cope with the challenges high overhead cost and unfriendly business environment" ( The Nation, 2011).

The closed down of 834 companies in Nigeria was attributable to epileptic power supply, high cost of alternative sources of electricity and multiple taxes, which resulted in huge cost of doing business. The closure of these companies has further compound the already bad state of unemployment. Typical taxes payable in Nigeria include: public convenience fee, sewage and refuse disposal fees, customary burial ground permit fees, religious places establishment permit fees, signboard and advertisement fees and radio, television license fees other than radio and television transmitter (Daily Triumph, 2011). The total figures of 834 closed down companies represent the cumulative aggregate of firms that shut down their operations in 2009 across the country.

## **7.0 CONCLUSION/RECOMMENDATIONS**

Economic growth is the key to higher living standards. According to Onipede (2003), economic theory suggests several key institutions and policy factors that are important for the achievement of maximum economic growth. It is therefore recommended that the following institutions and policies be enhanced in order to make way for sustainable economic and entrepreneurship development in Nigeria:

Development of entrepreneurial skills married with excellent knowledge of information and communication technology (ICT) as additional key to technological and entrepreneurial development is important.

Nigeria's vision of achieving sustainable economic growth and social development will remain unrealized if the nation's infrastructural needs are not addressed. The provision of infrastructure such as power, transport and water is vital. Without adequate, cheap, constant and reliable electric power supply, no technological development will be successively achieved.

New innovation is poor in Nigeria, most entrepreneurs prefer to import goods and package for sales because of high cost of production. In order to reverse this trend, it is pertinent that government gives priority to capacity building for technological innovation, good infrastructure and provide environment conducive for business that will lead to sustainable economic growth. Additionally, since entrepreneurs are vital to economic growth, legislators

and other leaders who develop economic policies should strive to encourage the innovation and risk taking of entrepreneurs. Enforcing property rights through contract, patent and copyright laws; encouraging competition through free trade, deregulation and antitrust legislation and promoting a healthy economic climate. Any country that lacks capacity for production of goods will become a consuming nation instead of an industrial nation.

Finally, the Nigerian government needs to shift from over-dependence on oil to diversify the economy and place more attention on the development of small & medium sized enterprises for sustainable economic growth. Economic prosperity in Nigeria, as in the rest of the world, depends on strong and empowered private sector to lead MSEs to a higher level of growth which would significantly contribute to the country's economic well-being.

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