

ENTREPRENEURSHIP DEVELOPMENT: CONSOLIDATING SMALL AND MEDIUM SCALE ENTERPRISES (SMES) AS AN EFFECTIVE POLICY MEASURE FOR SOCIO-ECONOMIC SUSTENANCE IN NIGERIA

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ABSTRACT

The arguments and public commentaries making round in Nigeria currently in the face of increasing economic challenges is how to reactivate the ailing economy back to life using the non-oil sectors as a base. This move to reinvigorate the Nigerian chequered nation-state is underscored by the continuous depreciation of the national economy owing largely to the dramatic twist and turns in the price of crude oil at the international market. To most critics and indeed economic experts, the recent fall in prices of oil in the international market, which has been Nigeria's economic mainstay have had devastating consequences on government and its people generally. The result of this kind of internal economic melt-down is so much so that it has become increasingly difficult to meet the everyday challenges such as reduction of poverty, crime control, child poverty, malnutrition payment of workers' salaries, among others. This research submits that entrepreneurship development using the instrumentality of small and medium scale enterprises as a base will profoundly jump-start the spiraling economy back to life. The argument hinges on the fact that over 80% of the people are found in the informal sector where entrepreneurship potentials can be properly tapped and harnessed. The critical issue therefore is that the current moves by government to bail out the states of the federation from economic crunch if extended to the wider informal sector could be a veritable instrument for the consolidation and survival of the nation's economy in no small way. The paper sums up with conclusion and policy framework to the effect that government and all stakeholders in the nation-building project should give particular attention to skills development at the horizontal and vertical levels if the nation must survive the present challenges currently being experienced.

Keywords: Entrepreneurship Development, Small and Medium Scale Enterprises, Effective policies, Economic Sustenance

1.1 Introduction

Entrepreneurship development and the growth of Small and Medium Scale Enterprises (SMEs) are critical to the consolidation of Nigeria democratic system. The two concepts are therefore inextricably linked and hence mutually reinforcing from the entrepreneurship point of view. It is imperative to begin to envision some of the skills, innovation and expertise which can be acquired in the main by individuals and groups so as to add value to certain potentials. Entrepreneurial development therefore finds expression in the kind of capabilities in which a nation and its people possess through short or long-term technical training, the purpose of which is to adequately achieve goals.

No doubt, Nigeria is endowed with abundant human and natural resources, which if properly harnessed and tapped, could yield profitable output for development. For example, in the human context, Nigeria and Nigerians, especially from the eastern part of the country are known to have enormous skills and

intellect viable enough to propel development. Thus, there are cases where informal groups like artisans such as shoe makers, welders, iron and lead fabricators, tillers, painters' auto-mechanics and several others with little or no formal education known to have contributed meaningfully to the development of places like Nnewi, Aba and Onitsha in Anambra state.

Scholarship on entrepreneurship development in Nigeria dates back to the period of trade by barter, a situation where people exchanged what they produced with other communities in order to get what they did not produce (Oyelola, Ajiboshin, Raheem, Raini, Igwe, 2013). The overall importance of this system of exchange as opined by Oyelola *et al* has earlier been underscored by Nicks (2008) and Raimi and Towobola (2011) when they asserted that this kind of exchange of goods for other goods, to a significant extent encouraged specialization among producers.

However, in spite of the obvious achievements through entrepreneurship innovations in the past as claimed by some development scholars, it can be said that the overall impact of entrepreneurship on the sustenance and consolidation of democracy in Nigeria has been and have continued to be difficult to accurately measure. To be sure, very significant lessons can be derived from several empirical facts gathered by most scholars such as Chu, Kara & Benzing (2010). According to these scholars, it has been estimated that between 45 and 60 percent of the urban labor force work for private enterprises or what is generally referred to as SMEs. Similarly, another investigation reveals that entrepreneurship has been of significant help to the Nigerian private sector comprising SMEs that can be said to have provided about 50% employment opportunities for the teeming population and another 50% industrial output (Ariyo, 2005; cited in Oyelola *et al*, 2013). In spite of all of these seeming advantages, entrepreneurship development in Nigeria has suffered neglect by government over the years. This is done largely because of several factors such as lack of adequate political will, the problem of corruption, inadequate funds for expansion as well as the politicization of issues bordering on Nigeria's industrialization.

This paper therefore sets to discuss some of these socio-economic and political challenges such as the ones pointed above as well as enunciate policy guidelines, the aim of which is to assist government and its agencies in charting a way forward for the country in this era of political change. The study is crafted into sections – the introductory notes, which discussed the general background to the study. Conceptual issues which dwells on critical etymological concerns on the notion of entrepreneurship. The paper also looks at nexus between entrepreneurship development as well as challenges and prospects.

1.2 Conceptual Issues

Entrepreneurship is a universal concept. Hence it has increasingly defied simple definition. However, to Oteh (2009) cited in Okeke and Eme (2014) entrepreneurship is a concept that can best be understood according to the discipline one finds himself. Accordingly, an economist views entrepreneurship from the point of view of a combination of resources, both human and material, labour, land and other variables. The value of the aggregate combination of all of these factors generates results that can in turn enhance societal transformation and development. From the management perspectives entrepreneurship entails charting a new course of action through innovation and the introduction of change. What this purport is that achieving greater development in society requires doing things differently and doing so in order to achieve higher outcome. However, the problem with these standpoints according to the economist is that, first; the factors of production have been emphasized without giving clearer picture of enabling environment which should have been made available for these factors to thrive.

Secondly, the economic perspectives fall short of acceptable international best practices because the environment under which land ownership is handled in Nigeria does not necessarily allow for the development of entrepreneurship. Again, experience in most urban centers show those critical infrastructures such as electricity is lacking, and so, there is dearth of capacity building and utilization that can stimulate national development. Similarly, the perspectives of management thinkers are also problematic. This is so because, from the Nigerian experience, innovation and change are lacking. The over-emphasis on paper qualification as opposed to what people can offer in job places is rife. It is

therefore difficult under this circumstance to expect innovation. The experience in Nigeria where millions of university graduates lack adequate job simply because they are not employable speaks volume of the kind of system we have in place as a nation.

1.3 Small and Medium Scale Enterprises: A Conceptual Discourse

Small and Medium Scale Enterprises otherwise referred to as SMEs have been identified as vehicles for sustained economic growth and development. Abiodun (n.d) observed that the growing recognition of the critical role of SMEs in economic transformation has given rise to the commitment of the Bretton Wood Institution (World Bank and International Monetary Fund (IMF) structures on the overall importance of small scale businesses as major drivers of not only economic prosperity; but most importantly of poverty reduction. The latter is critical in this analysis because a vast majority of developing nations are driven by the informal sector which is to a lesser or greater extent controlled by micro-business entities.

Extant literature such as empirical works of Abiodun (n.d) has it that in the light of the increasing importance of SMEs to national development, the World Bank in 2004 for example approved about \$2.4 billion American dollars in support of micro small and medium enterprises. However, the problem with this kind of conception is that while the argument in support of SMEs and democratic sustenance is not in doubt, the classification of business into large and small-scale conglomerates can be said to be fuzzy and hence, subjective in every sense of the word. Abiodun(n.d), insisted that such classification has followed different criteria such as employment, sales or investment for defining small and medium scale enterprises. Thus, the definitions are not the same; hence they can be said to be country-specific. However, the underlying concepts are the same.

Citing empirical examples from other developed economies of the world, Ekpenyong and Nyang (1992) have drawn comparisons between the former and most emerging countries. In the United Kingdom, and particularly England for example, small scale business is conceived as that industry with annual fiscal turnover of 2 million pounds or less with fewer than 200 paid employees. Similarly, in most Asian countries, such as Japan, SMEs can be seen as a type of industry with paid up capital and a considerable number of employees. Based on the foregoing instances, SMEs can be looked at as those manufacturing firms with 100 million years paid up capital and 300 employees.

Narrowing this analogy to the Nigerian experience, the Central Bank of Nigeria (CBN) as part of its monetary policies circular No.22 of 1988 considers small scale industry as those enterprises with annual turn-over of not more than 500,000 naira (CBN, 1988). In the same token, the Federal Government of Nigeria (1990) defined small scale enterprises as those enterprises whose annual turnover does not exceed 500,000 thousand naira and for merchant bank loan whose enterprises with capital investment not exceeding 2 million naira (excluding the cost of factors of production such as land) or a minimum of 5 million naira.

1.4 Entrepreneurship Development: The Role of Government for Enhanced Economic Transformation Conscious efforts put in place by the federal government of Nigeria in the development of entrepreneurship and by extension small and medium scale enterprises became obvious after the Nigerian Civil War which took place in 1967. Adeoye (2015) has opined that since the mid-1980s there has been an increased commitment of government to entrepreneurship development after the period following the introduction of Structural Adjustment Program (SAP) in 1986. Corroborating the position of Adeoye (2015), Thaddaus (2012) had earlier given an informed account of some of the initiatives of the military government headed by General Ibrahim Babangida in 1986, a period during which SAP was introduced as a policy framework. Thaddens, therefore, alluded that in addition to the establishment of SAP were institutions and structures such as the National Directorate of Employment (NDE), National Open Apprenticeship Scheme (NOAS) and the Small and Medium Enterprises Development Association of Nigeria (SMEDAN). These gestures by government at the time were intended to among other things, promote entrepreneurial skills and culture through initiatives that build business confidence. They were

also meant to institutionalize positive attitude, encouragement of new ideas, enhance social responsibility, provide technological support, and encourage inter-firm linkages as well as promotion of research and development.

As a follow, up to some of the issues raised above, the federal government in year 2000 introduced entrepreneurship studies into the Nigerian educational system, especially in higher institutions of learning (universities, polytechnics and colleges of education alike) as a mandatory course of study. The Centre for Entrepreneurship Development (CED), which has the objective of teaching and encouraging students in higher institutions (especially those with bias in science, engineering and technology-related courses) to acquire entrepreneurial, innovative and management skills was also established.

The overall objective of this kind of policy was to, among other things, ensure that prospective graduates of such institutions are self-employed, create job opportunities not only for themselves, but also for others and to ultimately generate wealth to be able to resolve the many challenges of poverty in the society.

In recognition of the critical importance of entrepreneurship to national development, government over the past four decades has established various support institutions particularly structured to provide assistance for SMEs to navigate difficult terrains on its path to progress. Some of these specialized institutions according to Adeoye (2015) include the Nigerian Industrial Development Bank (NIDB), the Nigerian Bank for Commerce and Industry (NBCI), the National Economic Reconstruction Fund (NEFRUND), the Nigerian Export-Import Bank (NEXIM), the National Directorate of Employment (NDE), Industrial Development Coordinating Centre (IDCC), the Peoples Bank, Community Bank, Construction Bank, Family Economic Advancement Programme (PEAP), State Ministries of Industry SME Schemes, the Nigerian Agricultural and Cooperative Development Bank (NACDB), the Bank of Industry (BOI), and so on. According to Nwachukwu (2012) in spite of the establishment of some of these support institutions and other incentives created by the government, there seems to be a problem with the implementation processes. This is why the programmes have not worked efficiently to bring about the desired change. Nwachukwu(2012) lamented that several factors such as lack of political will, policy reversal and policy inconsistencies as well as the dearth of laid down structures that can properly manage some of the programmes have all contributed to its failure.

Pushing further on his argument about the non-workability of SMEs in Nigeria, Nwachukwu(2012) highlighted other critical challenges to include limited access to long-term capital, high cost of short-term financing, poor partnership spirit, lack of requisite managerial capacity and skills, lack of efficient education and orientation, laxity on the part of students/apprentices, over dependence on imported raw materials, bureaucratic challenges, dwindling purchasing power, dissimilarities in forex acquisition and exchange (Dollars, pounds and Euros); low patronage for home-made goods, among others.

1.5 Entrepreneurship Development and Economic Transformation: The Nexus

There is a general conception that entrepreneurship is critical and beneficial to socio-economic development. This is essentially why most countries of the world with closer consideration on poverty reduction have resorted to the practice of entrepreneurship (Naude, 2013). For very obvious reasons, the scholarly work of Joseph Schumpeter (n.d) has revealed a closer relationship between economic transformation and entrepreneurship development. The theoretical analysis claims that an increase in the number of entrepreneurs gives rise to a corresponding increase in development processes. The theory holds that the concrete expression of individual skills and process as well as the propensity to innovate could propel new changes in the structure of productive capacity, and ultimately lead to economic stability.

To Schumpeter (n.d), economic transformation of society hinges on the following five (5) major principles which are:

- i) The introduction of new innovation through new lines of production of goods and services.

- ii) Adoption of an entirely scientific methods and approaches for the creation of new consumer goods which are relatively new to customers and the general public alike.
- iii) Opening of new market frontiers where manufactured goods are exposed for sale and public consumption.
- iv) The availability of new sources of raw materials to the industry, and
- v) The creation of monopoly and breaking further grounds for new organizational establishment (Schumpeter, 1963, cited in Adeoye, 2015).

Taking a cue from the Nigerian experience, scholars have argued that Nigeria has potentials that can adequately transform the nation's economy in view of its abundant resources endowment. The nation and its people no doubt, have adequate skills, potentials, the right kind of education and several other naturally endowed potentials to steer the ship of state. Harnessing these resources requires the identification of useful areas of nation's economic life, especially those in the area of science, technology, academics, business and tourism (Nkechi, Ikechukwu & Okechukwu, 2012).

According to Nkechi and Okechukwu(2012) noted that entrepreneurship activities and innovative ingenuity in Nigeria have developed in certain critical areas such as agriculture/agro-allied activities where the food stuffs, restaurants, and fast food vending, respectively. Some of these areas have contributed significantly in National Gross Domestic Products (GDP). In the area of solid mineral development, numerous business activities are noticeable. They include quarrying, germ stone cutting and grinding activities which can be found around Nasarawa Eggon hills in Nasarawa State. The above views about the contributions of SMEs to nation's GDP has been corroborated by Ogbuamuet *al*(2014) and the Central Bank of Nigeria Annual Report(2012).From the two empirical evidences, the level of GDP was put at N7795758.35 million in 2002.In 2003 and 2004,a total of N9913518.19 and N11411066.91 million was realized.

Similarly, the 2005/2006 fiscal year witnessed a total of N14610881.45 and N18564594.73 million, respectively. In the same vein, a total of N20657317.67 million and N24296329.29 million were realized as GDP between 2007 and 2008.This represents 13.33 per cent and 9.81 per cent within the period under review.

However, the GDP decreased from all time high to N24794238.66 (7.92 per cent) in 2009; N33984754.13 million (7.22 per cent) in 2010.For the 2011 and 2012 fiscal year, the figure of GDP's contribution to the nation plummeted from N37409860.61 million (6.56 per cent) and N40544099.94 million representing 5.42 per cent.

Nkechi and Okechukwu(2012) went further to identify other sectors that has to do with entrepreneurship including information and communications sector. In this plank, there is the manufacturing and repairs of Global Mobile Services (GSM), sale of accessories such as phone casing; screen ear piece, connecting cords as well as printing and selling of recharge cards. Similarly, the hospitality and tourism sector houses basic existential like hotel accommodation, resort centers film and video production. Consequently, the oil and gas business sector has to do with construction and maintenance of oil pipelines, drilling, refining oil by-products such as engine oil, Vaseline production, etc. In the engineering and fabrication sector there are machines and tools fabrication, bowing of automobile engines, bolt spinning and cutting.

The analysis can go on and on when one considers some of the vital areas in which entrepreneurship activities has taken place in Nigeria. While it will not be out of place to say that some of these areas of entrepreneurship endeavors have contributed positively to the development, empowerment and transformation of individuals and the society at large, it is also on record that there are challenges that have posed increasing obstacles. Some of these challenges that have impeded entrepreneurship development include lack of political will on the part of government, lack of continuity of policies and programmes, over-politicization of policies, corruption, nepotism and favoritism, among others.

1.6 Conclusion and the Way Forward

This study x-rays the critical importance of entrepreneurship development and exploitation to Nigeria's development. This is particularly so considering the falling price of oil resources at the international markets. The work which is exploratory in nature, has adequately examined the problematic of democratic consolidation and national economic development in the context of the revitalization of Small and Medium Scale Enterprises (SMEs). In line with the dictates of compounding socio-economic problems currently being experienced in Nigeria, it will be inappropriate to continue to play around a monolithic styled economy. The nation needs to comprehensively diversify, and this is why government at all levels must give special priority to skills acquisition and development through entrepreneurship endeavors.

To be able to effectively achieve this all-important national agenda, the Nigerian state, especially policy makers, must place greater emphasis on enhanced policy formulation, execution, and evaluation, and above all, strict implementation. There is need to adequately empower those within the area of the informal sectors such as artisans, craftsmen and even women, apprentices, fabricators and many others within the sector. There should be the concentration of policy measures at the horizontal and vertical levels, with the former taking greater priority. Government budget every fiscal year sum of monies for majority of the people who need them. This will go a long way in enhancing the expansion of their business acumen, and this could in turn, spiral into the general increase and expansion of not only the output but also production activities. It will also propel monumental increase into revenue generation in form of taxes to government as well as stimulate national socio-economic expansion.

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