
Entrepreneurship Development: A Panacea for Unemployment Reduction in Nigeria

AYODELE, OLORUNTOBA CHURCHILL, OZIMEDE, ELIZABETH I. & ALHAJI, SALIHU MOHAMMED

**Department of Business Administration & Management,
Federal Polytechnic, Bida, Niger State
Email: ayodelechurhill@yahoo.com**

ABSTRACT

This paper examines the need for promoting employment in Nigeria through the development of entrepreneurship. This paper relies on secondary data from various authors and other institutional publications. 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.

Keywords: Entrepreneurship, Unemployment, Employable, Development and Empowerment

INTRODUCTION

Economic displacement is one of the external forces that influence the development of entrepreneurship (Kuratko, 2009). This is why Alam and Hossan (2003) see entrepreneurship as playing a key role in the process of economic development through creation of employment, increasing investment and consumption of a nation. In similar vein, Chigunta (2001) notes that entrepreneurship has been receiving increasing recognition as a source of job creation, empowerment for the unemployed and economic dynamism in a rapidly globalizing world. Furthermore, Garavan and O'Cinneide (1994) in their contributions maintain that entrepreneurship is often used for developing enterprising people and inculcating an attitude of self-reliance using appropriate learning processes. In Nigeria before the advent of colonial government, unemployment was a rare phenomenon because the people were highly entrepreneurial and productively engaged.

This entrepreneurial engagement is prevalent in Yoruba land of western Nigeria, Hausa land of the northern Nigeria, and among the Igbo people of eastern Nigeria. It is on record that Yoruba and Hausa ethnic groups are great entrepreneurs in pre and post independent Nigeria. The Ibo ethnic group particularly is recognized internationally for its culture of entrepreneurship and enterprise development (Dana, 1995). This is why Ananaba (1969) asserts: "The economy of the various states which make-up modern Nigeria was basically a subsistence economy and customs had

established the practice that people serve their parents, village heads and the community without remuneration. On a given day, people went and work for a particular individual. Through the day, the man they serve was responsible for their food and drink. On another day, the man returned the service and it went on until everybody in the group was served." This method encourages communal wealth creation and productive use of human resources, thus forestalling unemployment.

However, the emergence of administration in Nigeria introduced formal education which enabled people to have the opportunity of being employed in the civil service after graduation. As such, the system destroyed self-reliance, self-employment and entrepreneurial skills of Nigerians as they became permanently dependent on the colonial masters (Nicks, 2008, Raimi, 2010). This led to massive unemployment and craze in the contemporary times for ready-made jobs. It is on this breastplate that the study seeks for the development of entrepreneurship in order to sustain an economy of high level unemployment reduction.

The Concepts of Unemployment and Entrepreneurship in every economy is characterized by both active and inactive populations. The economically active refers to population willing and able to work, and include those actively engaged in the production of goods and services and those who are unemployed. According to Fajana (2000), unemployment refers to a situation where people who are willing and capable of working are unable to find suitable paid employment. It is one of the macro-economic problems which every responsible government is expected to monitor and regulate. The higher the unemployment rate in an economy the higher would be the poverty level and associated welfare challenges.

Concept of Entrepreneurship

According Hisrish and Brush (2006), entrepreneurship may be defined as the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial and social risks, and receiving the rewards of monetary and personal satisfaction and independence. Generally, the aim of entrepreneurial business behaviours is to identify opportunities and put useful ideas and resources into application/practice. The common themes found in the definitions of entrepreneurship include: the entrepreneur, innovation, organization/ firm creation, creating value, opportunity - taking, profit or not – for-profit, growth, process, flexibility, creative, and risk taking.

Howard defines entrepreneurship as the pursuit of opportunities without regard to resources currently controlled. To be enterprising is to keep yours eyes open and your mind active. It is to be skilled enough, confident

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enough, creative enough, and discipline enough to seize opportunities that present themselves regardless of the economy condition (Nwafor 2007).

Entrepreneurship may also be seen as:

1. Having specific functions in the economy, particularly in innovation and resource allocation which entrepreneurs seen as innovators;
2. As a form of business behaviour concerned with the systematic grasping of business opportunities in the relevant environment;
3. As a set of personal characteristics, cognitive styles, attributes or motivations (such as risk-taking or being a 'great leader') of entrepreneurs. (Hisrish & Peter, 2008)

According to Aruwa (2006), it is the ability of some people to accept risk and combine factors of production in order to produce goods and services. It can also be seen as the willingness and ability of an individual to seek out investment opportunities in an environment, and be able to establish and run an enterprise successfully based on the identified opportunities.

Characteristics of Entrepreneurship

According to Longeneeker and Moore (1994), a common stereotype of the entrepreneur emphasizes such characteristics as high need for achievement, a willingness to take moderate risks, and a strong self-confidence.

- 1) **Need for Achievement:** A desire to succeed, where success is measured against a personal standard of excellence;
- 2) **Willingness to Take Risk:** The risks that entrepreneurs take in starting and or operating their own business are varied. By investing their own money, they assume a financial risk. If they leave secured jobs, they risk their careers. The stress and time required in starting and running a business may also place their families at risk. And entrepreneurs who identify closely with particular business ventures assume psychic risk as they face the possibility of business failure.
- 3) **Self-Confidence:** Individuals who possess self-confidence feel they can meet the challenges that confront them. They have a sense of mastery over the types of problem they might encounter. Studies show that successful entrepreneurs tend to be self-reliant individuals who see the problems in launching a new venture but believe in their own ability to overcome these problems Longeneeker (1994).
Identifies four entrepreneurial characteristics such as:
 - 1) The ability to identify potential venture opportunities better than most people;
 - 2) A sense of urgency that makes them action oriented;
 - 3) A detailed knowledge of the keys to success in the industry and the physical stamina to make their work their lives;

- 4) Access to outside help to supplement their skills, knowledge and abilities.

Entrepreneurial Strategies

Mintzberg (1983), contends that there are four chief characteristics of entrepreneurial strategy making:

- * Strategy making is dominated by the active search for new opportunities;
- * In entrepreneurial organizations, power is centralized in the hands of the chief executive;
- * Strategy change is characterized by dramatic leaps forward in the face of uncertainty;
- * Growth is the dominant goal of the organization.

According to Drucker (1985), entrepreneurship consists of creation of a new market and a new customer, by applying management concepts and management techniques (asking, what's 'value' to the customer), standardizing the product, designing process and tools, and by basing training on the analysis of the work to be done and setting the standards it required.

The Challenges and Problems of Entrepreneurship Development in Nigeria

Nigeria like most developing nations of the world is faced with myriads of problems and harsh realities which include poverty, unemployment, conflicts and disease. These situations pose great challenges to the very existence of individuals in most developing nations thereby calling for the training of educated men and women who can function effectively in the society in which they live in. Available information by National University Commission (NUC 2007) reiterates the massive unemployment of Nigeria graduates of higher institutions in the country. This problem is said to be traceable to the disequilibrium between labour market requirement and lack of essential employment skills by the graduates. This obvious critical skills gap inhibits the development of youths and entire development of the nation. More than half of the Nigeria populations are under the age of 30 according to the National Population Commission (2001).

Therefore it can be ascertained that the economy of Nigeria is a youth economy. This reality leaves them without any meaningful means of sustainable livelihood. To make ends meet, they simply indulge in prostitution (both male and female) armed robbery etc. The youthful period which is a very critical one that has been noted as an essential time for training in entrepreneurship, provides a positive distractive alternative from

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the self destructive and aggressive behaviours that are frequently associated with adolescents and growing up (Hisrish & Peter, 2008).

Hisrish & Peter (2008) stressed that the major challenges of entrepreneurship development in Nigeria have to do with the following:

- a. **Inadequate and Poor State of Infrastructure:** Infrastructural facilities such transportation network, electricity, security, telecommunication, etc encourages the establishment and growth of businesses when they are provided in the required quantity and maintained consistently. This is not the case in Nigeria. Power supply is grossly inadequate and thus, irregular.
- b. **Lack of Strong Patent Law:** A serious challenge that entrepreneurs face in Nigeria is the level of competition from foreign producers. The local entrepreneurs are not protected, the situation is worsened by the apparent lack of faith in the Nigeria patent law which many entrepreneurs feel offers them little protection against piracy.
- c. **High Cost of doing Business in Nigeria:** Entrepreneurs are in business (take risk) because they want to make profit. Where the expected return from a venture is lower than the opportunity costs, it will act as a disincentive for the entrepreneur. Due to collapsed infrastructural facilities and unbridled corruption, where entrepreneurs have to spend huge sums to provide some basic infrastructure and bribe government officials it makes the cost of doing business in the country to be too high with adverse implication for profitability.
- d. **Financial Problem:** Entrepreneurs find it difficult to raise funds for investment from both money and capital markets. In the money market, that is the market for short term loans such as commercial banks, loans are given to applicants based on availability of collateral, level of risk, past performance, etc.

Types of Unemployment

Fajana (2000), Alao (2005), and Wikipedia (2010) identify the following types of unemployment.

- Structural unemployment occurs when there is a change in the structure of an industry or the economic activities of the country. This may be because people's tastes have changed or it may be because technology has outmoded and the product or service is no longer in demand. It is mostly to be found in the developing countries of Asia and Africa. This type of unemployment is due to the deficiency of capital resources in relation to their demand. In other words, structural unemployment results from a mismatch between the demand for labour, and the ability of the workers.

- Frictional Unemployment is caused by industrial friction in which jobs may exist, yet the workers may be unable to fill them either because they do not possess the necessary skill, or because they are not aware of the existence of such jobs. The employable may remain unemployed on account of shortage of raw materials, or mechanical defects in the working of plants. Therefore, the better the economy is doing, the lower this type of unemployment is likely to occur.
- Seasonal Unemployment is due to seasonal variations in the activities of particular industries caused by climatic changes, changes in fashions or by the inherent nature of such industries. In the tropical region, ice factories are less active in rainy season because demand for ice is low. Seasonal-oriented industries are bound to give rise to seasonal unemployment.
- Cyclical Unemployment also known as Keynesian unemployment or the demand deficient unemployment is due to the operation of the business cycle. This arises at a time when the aggregate effective community demand becomes deficient in relation to the productive capacity of the country. In other words, when the aggregate demand falls below the full employment level, it is not sufficient to purchase the full employment level of output. Cyclical or Keynesian unemployment is characterised by an economy wide shortage of jobs and last as long as the cyclical depression lasts.
- Residual Unemployment is caused by personal factors such as old age, physical or mental disability, poor work attitudes and inadequate training.
- Technological Unemployment is caused by changes in the techniques of production. Technological changes are taking place constantly, leading to the increased mechanization of the production process. This naturally results in the displacement of labour and finally causing unemployment.

Capital Injection Solution

Based on the difficulties to raise funds, government of Nigeria should make the following provision for enhancing the sources and micro credit facilities to entrepreneurs.

1. Nigerian Agricultural and cooperative bank (NACB)
2. National economic construction fund (NERFUND)
3. Bank of commerce and industry (BCI)
4. Peoples Bank
5. Community Bank
6. National Directorate of Employment (NDE)

The first three banks have now been merged into Nigerian Agricultural crop and national development Bank L.T.D (NACRDB). The community bank here

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been converted into micro finance bank and empowered to give more loans to entrepreneurs. This is in addition to the mandate given the central bank of Nigeria (C.B.N) to commercial banks to dedicate large percentage of their deposits to give credit to entrepreneurs.

Role of Entrepreneurship In Economic Development

Fajana (2000) opined that entrepreneurship development has also led to employment generation, growth of the economy and sustainable development.

Thus, entrepreneurship development can also bring about economic development through the following:

1. Increase in Productivity

Productivity means the ability to produce more goods and services using minimum labour and other resources like money and time. Entrepreneurship development increases the productivity of individuals and the economy as a whole. This is achieved mostly through improved technology and management expertise of entrepreneurs all of which are the products of entrepreneurship development process.

2. Enhancement of Market Competition

Due to improved technology and increase in productivity occasioned by entrepreneurship development, there will be availability of goods and services in the economy. This kind of development usually benefits the monopolistic powers of potentialities of the economy. With competition, consumers will have a variety of alternatives to choose from at reduced prices thereby improving consumer satisfaction.

3. Creation of New Technologies, Products and Services

Entrepreneurship development encourages creativity and innovation among individuals. The consequences of the kind of encouragement will be the improvement and creation of new technology, products and services. For instance, the mechanization of farming in Europe can be traced to the entrepreneurship development witnessed during the industrial revolution of the 18th century. Availability of modern products such as computer, airplanes, GSM etc, can be attributed to entrepreneurship development of industrial countries like U.S.A, Japan, etc.

4. Promotion of Effective Domestic Resource Utilization

Nigeria is endowed with the abundance of human and natural resources like land, good weather; mineral resources etc. entrepreneurship development helps in the promotion of effective utilization of available resources through the enhancement of entrepreneurial expertise and the subsequent establishment of many

enterprises. For instance, the establishment of many textile firms through entrepreneurship development programmes may result in the effective utilization of local materials like cotton. The use of local resources in the production of goods and services will significantly reduce the country's dependence on imports and improve its balance of payments.

5. Employment Generation

Entrepreneurship development usually results in the establishment of many enterprises. These enterprises will in turn employ many unemployed and other unproductive resources like idle capital and land. Employment generation can curb social ills like idleness, drug addiction, insecurity, etc.

6. Wealth Creation and Income Generation

Wealth refers to a given quantity and quality of resource under the ownership of individuals or nations, while an income refers to a given amount of money earned by an individual or a nation due to an engagement in any form of legitimate economic activity. Entrepreneurship development creates wealth mainly through technological advancement occasioned by research and development (R&D). From the wealth created, individuals or nations can generate a lot of income in the form of wages or salaries and taxes respectively.

7. Mitigation of Rural-Urban Migration

Small – scale firms may be a veritable instrument for solving the problem of rural-urban drift. Some small businesses are in rural areas to absorb rural labour. This situation will have a positive impact on agricultural output and a rise in farmers' income which in turn will encourage the rural dwellers to remain in their locality rather than moving to urban areas in search for wage employment which often times is not easy to come by.

CONCLUSION

As stated in the introduction, Economic displacement is one of the external forces that influence the development of entrepreneurship, and entrepreneurship is playing a key role in the process of economic development through creation of employment, increasing investment and consumption of a nation. However, entrepreneurship has been receiving increasing recognition as a source of job creation, empowerment for the unemployed and economic dynamism in a rapidly globalizing world.

RECOMMENDATIONS

It is true that small scale business through entrepreneurship development have suffered in terms of financing because of the economic and potential instability.

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1. Government should come up with feasible long term stable policies, schemes programmes that will enable small scale business to launch Nigeria into better economic development.
2. Government should in addition establish strong industrial relationship with countries like Korea, Japan, and China etc, who had tremendous success with the entrepreneurship development. With this, Nigeria entrepreneurs can also learn a lot from the experience of the entrepreneurs in such countries, and Nigeria government should also learn from the supporting role that these governments have rendered towards realization of the employment generating capacity.
3. Government should make all effort to see that those infrastructural facilities like good road network, communication, water supply and electricity that aid industrial take off should be provided in order to have even distribution of small scale industries which in turn increases employment rate in the country and such increase the standard of living of people. Provision of loan, grant and aid by government will also assist people in setting up their own business which in turn generates employment for people and expanding nation's economy.
4. Finally, financial institutions should see the need to channel their contribution of developing Nigerian economy by intensifying credit extension to the small businesses.

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Reference to this paper should be made as follows: Ayodele, Oloruntoba Churchill; et al. (2016), Entrepreneurship Development: A Panacea for Unemployment Reduction in Nigeria *J. of Business and Organizational Development* Vol. 8, No. 1, Pp. 100 – 111.
