

Appraisal of Public Policy on Entrepreneurship Development and Economic Growth in Nigeria

AYODELE O.C., OZIMEDE, ELIZABETH .I. AND SALIHU, M.A.

Department of Business Administration and Management

Federal Polytechnic, Bida, Niger State, Nigeria.

E-mail: churchill20002000@yahoo.com

ABSTRACT

Entrepreneurial activity and new firm formation are vehicles of economic growth and innovation especially at periods of serious economic challenges. Generally, it is also believed that private sector participation in economic development can be increased through the use of public policy. This study appraised the impact of public policies on the development of entrepreneurship in Nigeria. It also examined the relationship between entrepreneurship and economic growth and development. This paper establishes that public policy in Nigeria has negative impact on entrepreneurship development and economic growth. It was discovered that team enterprises had more resources, more competence, more experience and better planning than the sole enterprises. Also established, is the fact that teams performed better than soles on performance and growth indicators such as employment, turnover, and profitability. It concludes that, team enterprises contribute more to employment generation, income earning and economic empowerment as well as overall economic growth than sole enterprises. It is therefore recommended that entrepreneurship development and entrepreneurial orientation should be more vigorously pursued by government in order to accelerate economic growth and development in Nigeria.

Keywords: Entrepreneurship Development, Economic Growth, Public Policy, Small Business Enterprises (SME)

INTRODUCTION

The Nigerian economy has been characterized with a lot of inefficiencies; public sector dominance, over reliance on oil as the major revenue earner and this has typically affected the country's course of development. However, since the mid-1980s, Nigeria has introduced some structural economic reforms, abolished policies and structures which prevented entry into certain industries, and opened up its markets to competition from domestic and foreign entrepreneurs. The government have also introduced and pursued a number of entrepreneurship encouragement policies aimed at reducing the high rates of unemployment and poverty. Though, Nigeria is still plagued by many development challenges, "preliminary evidence suggests a favourable response by the private sector to the new entrepreneurial opportunities thus created" (Elkan, 1988).

The importance of entrepreneurship development through new business formation for economic growth has been recognized since Schumpeter (1934). According to the global

entrepreneurship monitor report (2000), about 70 percent of an area's economic performance and well being is dependent upon how entrepreneurial the area's economy is.

Baumol (1998) argued that entrepreneurship activities are very fundamental to any meaningful development of an economy. Many well meaning people and leaders in the societies always clamour for the development of entrepreneurs that would bring a turnaround in the economy. This explains the reason behind the government conscious policy statements that are often made in this direction. However, it has to be noted that the benefit and relevance of entrepreneur to accelerated economic growth cannot be achieved in isolation without the existence of the right opportunities that serve as the wheel of its development. Entrepreneurship, as used in this paper, refers to innovative individuals who observe business opportunities or create business opportunities which they exploit in order to provide product or service to the society at a benefit to the entrepreneur. It is the trust of this paper therefore that without the opportunity, there cannot be entrepreneurship. Where entrepreneurs observe there are no opportunities, they will create one to make themselves relevant. The contention of this paper therefore, is that private organizations, public institutions and the entire society should provide necessary foundation structures for the existence of opportunities which the entrepreneurs can utilize/exploit to serve the society.

Abdullahi (2008) reported that Petrin (1992) opined that for countries to accelerate their economic growth and development, it is necessary for them to build up the critical mass of first generation entrepreneurs because development is now being linked more and more to entrepreneurship. Entrepreneurship as argued by Abdullahi (2008) stands as a vehicle to improve the quality of life for individuals, families and communities and to sustain a healthy economy and environment. However, the acceptance of entrepreneurship as a central development force by itself will not lead to economic development and the advancement of private enterprises until an enabling environment necessary for entrepreneurship to be rewarding is created within communities. The existence of such an environment largely depends on public policies promoting entrepreneurship and according to Petrin, (1994) as cited in Abdullahi (2008); the effectiveness of such policies in turn depends on a conceptual framework about entrepreneurship.

One of the goals of economic development strategies pursued by successive Nigeria Governments has been the reduction of poverty through job creation. Many government policies over the years for the achievement of the objective have been based on the development of indigenous entrepreneurship. However, Mbaegbu, D.G (2008) humorously observed some of these policies have been like changing one structure for another much like 'exchanging a monkey for a baboon, recycling of ideas; a duplication of efforts (which) turn out to be of doubtful relevance or simply a money-guzzling machine."

Chukwuemeka, *et al.*, (2008) opined that a cursory look at Nigeria indicates that she either lacks entrepreneurship ability or that government entrepreneurship oriented

policies are not effective. Sherif, *et al.*, (2006) argues that most entrepreneurship related policies and programmes in Nigeria fall short of appropriate development frameworks, some of the policies are poor, frequent changing of policies and programmes and lack of clear entrepreneurial development vision and commitment pose serious threat to entrepreneurship in Nigeria. Some of the entrepreneurial pose serious threat to entrepreneurship in Nigeria. Some of the entrepreneurial related policies are good but the issue of poor environmental forces hinders them. For instance electricity supply, water and good road network are not available to encourage entrepreneurs. An easy access to finance, high import tariff and other tariffs of government pose serious threat for the survival of young entrepreneurs. In the light of the foregoing, the pertinent question is that what has been the impact of these policies on entrepreneurship development in Nigeria?

Operational Definition of Entrepreneurship

Aruwa (2006) define entrepreneurship as a process of action an entrepreneur undertakes to establish his enterprise. Entrepreneurship is a creature activity. It is the ability to create and build something from practically nothing Entrepreneurship is the attitude of mind to seek opportunities, take calculated risks and drive benefits by setting up a venture. It comprises of numerous activities involved in conception, creation and running an enterprise.

Mbaegbu (2008) opined that entrepreneurship refers to the activities of the entrepreneur as the initiator, organizer, innovator and risk bearer in production or business. The entrepreneur is the person whose activities create wealth and employment which can be measured either directly or through economic growth rates. This definition is without prejudice to the classification of entrepreneurs on a continuum from small craftman entrepreneurs to big time opportunistic entrepreneurs adopted by Drucker *et al.*, (1985). Whether big or small entrepreneurs are all in business to make profit and grow their enterprises (Lyson, T.A.2002).

According to Mainoma *et al.*, (2008) entrepreneurship can be defined as the process of using private initiative to transform a business concept into a new venture or to grow and diversify an existing venture or enterprise with high growth potential. Entrepreneurs identify an innovation to seize an opportunity, mobilize money and management skills, and take calculated risks to open markets for new products, processes and services. While Entrepreneurship development (ED) refers to the process of enhancing entrepreneurial skills and knowledge through structured training and institution-building programmes. Entrepreneurship development aims to enlarge the base of entrepreneurs in order to hasten the pace at which new ventures are created. This accelerated employment generation and economic development. Entrepreneurship development focuses on the *individual* who wishes to start or expand a business. Small and medium enterprise (SME) development, on the other hand, focuses on developing the *enterprise*, whether or not it employs or is led by individuals who can be considered entrepreneurial. Furthermore, entrepreneurship development concentrates more on growth potential and innovation than SME development does. However, many on growth potential and innovation than SME development does. However, many of the

lessons learned from experiences in both types of development are similar (Mainoma, *et al.*, 2008).

Abdullahi (2008) explained that Burnett *et al.* (2000) posited that throughout the theoretical history of entrepreneurship, scholars from multiple disciplines in the social sciences have grappled with a diverse set of interpretations and definitions to conceptualize this abstract idea. Over time, "some writers have identified entrepreneurship with the function of uncertainty-bearing, others with the coordination of productive resources, others with the introduction of innovation, and still others with the provision of capital" (Hoselitz, 2001). Burnett *et al.* (2000) then concluded that even though certain themes continually resurface throughout the history of entrepreneurship theory, presently there is no single definition of entrepreneurship that is accepted by all or that is application in every economy.

Thus, our most appropriate and adopted definition is a combination of three different definitions, wherein, entrepreneurship can be defined as a force that mobilizes other resources to meet unmet market demand (Drucker, *et al.*, 1985); the ability to create and build something from practically nothing (Timmons, 1994); and the process of creating values by pulling together a unique package of resources to exploit an opportunity (Stevenson, 1985).

Public Policy

According to Mbaegbu (2008), many definitions of public policy abound. Chukwuemeka, *et al.*, (2008) agree that public policy is a public decision to achieve a purpose. However, policy only lays down the general directive rather than detailed instructions or strategies to follow to achieve the objective. Basically, public policies are formulated by the three arms of government working in concert. But, policies can be initiated from para institutional sources and from private persons. Ultimately all public policies in Nigeria derive their legitimacy from the constitution (Stam, *et al.*, 2005).

Dutz *et al.*, (2000) simply defines it as a guiding principle which governs action especially repetitive actions, it is decision as to what should be done and how, when and where. Chukwuemeka, *et al.*, (2008) defines public policy as the authoritative allocation of value of the whole society. Some of these definitions are in one way or the other not adequate.

However, we make bold to say that public policy is a pronouncement of government intentions by people in positions of public trust, demanding governmental actions or inactions and having impact either negative or positive, on the majority of the members of a given society. Public policy is a statement about future events.

Entrepreneurship Education

According to Mainoma, *et al.*, (2008), entrepreneurship education generally refers to programmes that promote entrepreneurship awareness for career purposes and provide skill training for business creation and development. It is distinguishable from

other forms of business education when its purpose is creating a new product or service that results in higher economic value.

Entrepreneurship literature has considered the effectiveness of education at various stages of adulthood. For example, entrepreneurial education has been linked to the propensity toward entrepreneurship for adults (Mainoma *et al.*, 2008) suggested that university entrepreneurship educators facilitate the entrepreneurial process by creating awareness among collegiate students. Studies by Elkan, *et al.*, (1998) support the value of formal entrepreneurial education at the university level, but only in terms of affecting the attitude toward entrepreneurship as a career alternative. Mainoma (2008) recommended that entrepreneurial potential should be identified and developed at the secondary school level, when the possibility of self-employment as a career option is still open. There are indications that the formal education system is not particularly supportive of entrepreneurship and possibly suppresses entrepreneurial characteristics (Baumol, 1993).

Mainoma, *et al.*, (2008), further opined that Entrepreneurship programme should also teach skills in detecting and exploiting business opportunities, as well as incorporate detailed and long-term business planning. Baumol (1993) introduced the concept of transition stages of entrepreneurship education suggesting programmes geared toward creativity, multi-disciplinary and process-oriented approaches, and theory-based practical applications. Consistent with these pedagogical criteria, Mainoma (2008) suggested experiential learning entrepreneurship.

THEORIES OF ENTREPRENEURSHIP

In this paper we shall examine Schumpeter's and McClelland's theories of entrepreneurship on which many public policies are based. In Schumpeter's theory (1934) the supply of entrepreneurship is a function of the rate of profit accumulation and the "social climate." By this theory a vibrant profitable economy encourages people to venture into entrepreneurship while any action tending to squeeze profit such as increased bargaining power of trade unions, progressive income and corporate taxes, etc, will discourage enterprise. Schumpeter uses the concept of "social climate" to describe the whole lot of social, political and socio-psychological environment within which the entrepreneur operates namely: educational system, social values, class structure, reward system etc.

While Schumpeter's theory is basically environmental – social, political and economic – McClelland's theory is purely psychological. He hinges entrepreneurship on the motive, the need for achievement. This motive is a personality trait which can be acquired through appropriate interventions or attitudinal changes such as by training and development. This underlines the success of the Indian Gujarat Model (Elkan, *et al.*, 1988).

Mainoma *et al.*, (2008) the role of quality entrepreneurship education and training in identifying and nurturing entrepreneurial potential among youth is becoming apparent to students, policy makers, and educators. The recent introduction of entrepreneurial

education for all undergraduates in Nigerian universities by the Nigerian Universities Commission provides further evidence of the need for youth and family economic empowerment and self-employment as a viable career option. Hitherto, the polytechnics and colleges of education run small business management course as a variant of entrepreneurship education.

It has been argued that the supply of entrepreneurs can be increased by developing a positive perception about the feasibility and desirability of entrepreneurship through educational preparation at an early age (Stam, *et al.*, 2005). When rooted in solid learning theory, entrepreneurial education develops entrepreneurs, by increasing business knowledge and promoting psychological attributes associated with entrepreneurs (Elkan, *et al.*, 1988).

Identifying and nurturing entrepreneurial potential among youth can have long-term implications for economic development. Prior research has addressed the potency of entrepreneurship education to affect the development of entrepreneurial talent prior to the collegiate level. Specifically, student with training in entrepreneurship have greater overall entrepreneurial characteristics, higher achievement motivation, more personal control, and greater self-esteem (Saeed, *et al.*, 1998).

CONTRIBUTION OF ENTREPRENEURSHIP TO ECONOMIC DEVELOPMENT

1. Developing new markets: Under the new concept of marketing, markets are people who are willing and able to satisfy their need. Mbaegbu (2008) saw marketing as looking at the business through the customer's eyes profitably. In Economics, this is called effective demand. Burnett, et al (2000) observed that demand has relationship with prices and quality. Entrepreneurs are therefore resourceful and creative. They can create customers or buyers. This makes entrepreneurs different from ordinary businessmen who only perform traditional functions of management like planning, organizing and co-ordinating.
2. Discovering new sources of materials: Owing to the entrepreneur's innovative nature, they persist in discovering new sources of materials to improve their enterprises.
3. Mobile Capital Resources: Entrepreneurs properly mix the factors of production to create goods and services. Capital resources, from a layman's view, refer to money. However, in Economics, capital resources represent machines, buildings, and other physical productive resources. Entrepreneurs have initiative and self-confidence in accumulating and mobilizing capital resources for new business or business expansion.
4. Introducing new technologies, new industries and new products: Apart from being innovators and reasonable risk-takers, entrepreneurs take advantage of business opportunities and transform these into profits.
5. Creating employment: The biggest employer is the private business sector. The factories, services, industries, agricultural enterprises, and the numerous small-scale businesses provide millions of jobs.

ENTREPRENEURSHIP, SMALL BUSINESS ENTERPRISES AND ECONOMIC GROWTH

According to Burnett, *et al.*, (2000) entrepreneurship is characterized by uncertainty and typically occurs in the presence of imperfect information, unknown production functions, and market failure. According to Saeed, *et al.*, (1998), it is most preferred for governments to promote domestic and indigenous entrepreneurship because domestic entrepreneurs are more aware of the market gaps that need to be filled domestically. Burnett, *et al.* (2000) subscribed to this view when he opined that instead of producing goods that might not be consumed within the country; domestic market forces encourage domestic entrepreneurs to create innovations and creative imitations that fulfill a real market deficiency domestically. Hence, MNCs can be used for entrepreneurship-led development, but domestic entrepreneurship is thought to be more effective.

Gillis, *et al.*, (1996) and Burnett, *et al.*, (2000) assert that entrepreneurship is a necessary ingredient for stimulating growth and in order to achieve successful economic development, a country must experience both economic growth and "fundamental changes in the structure of its economy. Despite their typically unappreciated role, entrepreneurs orchestrate these transformations and create new channels for economic activity and employment. Thus, all countries that wish to pursue continued development must encourage entrepreneurship. Given the importance of entrepreneurship to economic growth and development, it is incumbent upon governments to increase the supply of entrepreneurs. However this can only be done when policy makers understand the factors that affect the supply of entrepreneurs. Burnett, *et al.* (2000) advanced two factors that affect the supply of entrepreneurship: opportunity and willingness to become an entrepreneur.

Sherief, *et al.*, (2004) and Lyson (1995) study on entrepreneurship and economic development found that small-enterprises provide the framework of a development strategy for economically disadvantage communities for the following reasons:

1. Small businesses would provide products for local consumption that are not readily available in the mass market.
2. Small-scale technically sophisticated enterprises would be able to fill the niche markets in the national economy that are too small for mass producers
3. Small, craft-based, flexibly specialized enterprises can alter production quickly to exploit changing market conditions.

Stam, *et al.*, (2005) observed that in contrast with the tradition of depicting the entrepreneur as a "lone hero" Lyson (1995) opined that entrepreneurship is a collective activity. Furthermore, relying on the work of Sherief (2000), Stam (2005) submitted that teams of entrepreneurs are critical for the growth of new venture.

SOURCES OF INFORMATION FOR ENTREPRENEURSHIP

Drucker (1999) identified the following as the sources of information for entrepreneurship development.

- **Library:** The library is a primary resource for information. Government agencies have a variety of publications which may be useful. Some Colleges and Universities have reference libraries which may have a circulation section available to the public. Also research institutes and some large corporations have libraries with sections on specific topics. Libraries are the store house of information which may be useful in operating a small business. Books, periodicals, reports and newspapers may contain information which can be of help in solving some of the problems in operating a business.
- **Internet:** Internet can be used to carry out research and to find useful information and data. Examples of these search engines are Google, Bing, Ask etc. Also, E-mail can be used to communicate with providers of information who have websites on the internet.
- **Subscribing to Trade Papers and Magazines:** Desirable entrepreneurs should have time to read articles especially in understanding new trends and developments relating to business. It is advisable to keep a file of pertinent articles for future reference.
- **Industrial Data:** Industrial Data is helpful in comparing a business to other similar businesses. The data is available from trade associations or government agencies and includes ratio such as, stock turnover, cash discounts, percentage mark-up etc.
- **Membership-Based Organizations:** Membership-Based Organizations can provide services such as conducting research, organizing, education and framing programmes, implementing new technology, responding to members' questions and concerns and disseminating information through news letters, magazines and special reports. Example of such membership – based organization is MAN (Manufactures Association of Nigerian).
- **Other Business Owners:** Most businesses have common problems and owners are generally willing to discuss their problems with one another. Occasionally, the competitive nature of business may discourage this frank exchange, but if business are unrelated and do not compete for the same customers, entrepreneurs may be willing to share ideas concerning solutions to a common problem. In this way, all business owners can benefit from this interaction and improve their business operations.
- **Training Programmes:** Training programmes can help entrepreneurs to develop formal plans for improving their managerial skills and ability. Training courses and adult education programmes are designed by many institutions, agencies and associations. Entrepreneurs should be aware of these personal development possibilities and take full advantage of them. One of such Institution is (CMD) Centre for Management Development.

CONCLUSION AND RECOMMENDATIONS

Our obvious conclusion of this paper therefore, is entrepreneurship has a strong link with economic growth and that, team enterprises contribute more to employment generation, income earning and economic empowerment as well as overall economic growth than sole enterprises.

RECOMMENDATIONS

It is therefore recommended that:

- Government should formulate and implement policies that are germane in creating an environment conducive for team entrepreneurship to thrive.
- Entrepreneurial orientation should be based on stimulating local entrepreneurial talent and subsequent growth of indigenous companies. This in turn would create jobs and add economic value to a nation, and at the same time, it will keep our scarce resources within the country.
- Youths are a clear asset to our country and with appropriate support and conducive and enabling environment young people can bring dynamism to our country's economy and become great job creators of future rather than job seekers of the present. We must not forget that jobs in the formal sector of the economy have been stagnating. Therefore, it will increasingly be in the informal sector where youths find a viable option to engage in a remunerative economic activity particularly in the self-employment and setting up of micro and small enterprises. However, for this to be achieved, government must provide them with necessary prerequisites such as skills, technology, credit and market linkages. Many of our educated youths who have been in the educational system of our country including the graduates, have little in terms of marketable skills and those who have had opportunities to attend vocational training institutions often do not acquire skills for self-employment. It is therefore essential that government addresses these shortcomings in an effective manner by focusing on building skills for self-employment and entrepreneurship amongst young people through the transformation of curriculum and training methodologies in schools and training institutions.
- Basic entrepreneurship education should be taught right from secondary schools to university level. This will assist in inculcating in our youths the spirit of entrepreneurship and self employment, rather than acquiring education with the sole purpose of gaining employment in government.

REFERENCES

- Abdullahi, S.A. (2008), *Entrepreneurship as a Force in Economic Growth and Development in Nigeria*. A Paper Presented at An International Conference on Entrepreneurship Organized by Chike Okoli Centre for Entrepreneurial Studies, Nnamdi Azikiwe University, Awka, Nigeria.
- Aruwa, S.A.S (2006). *The Business Entrepreneurial Development, Small and Medium Enterprises*. 2nd ed. Kaduna: Entrepreneur Academy Publishing Company.

- Baumol, W.J. (1993), *Entrepreneurship, Management, and the Structure of Payoffs*, Cambridge, Massachusetts: MIT Press.
- Burnett, David (2000), *Hunting for Heffalumps: The Supply of Entrepreneurship and Economic Development*, Technopreneural.com
- Chukwuemeka, C, Nzewi, A. Okigbo (2008), 'Public Policy and Entrepreneurship in Nigeria: Addressing Immediate Pathological Problems'. A Paper Presented at An International Conference on Entrepreneurship Organized by Chike Okoli Centre for Entrepreneurial Studies, Nnamdi Azikiwe University, Awka, Nigeria.
- Drucker, P. F. (1985). *Innovation and Entrepreneurship: Practices and Principles*, New York: Harper and Row, Publishers, 220-225.
- Drucker, P.F. (1999). *The Practice of Management*. London: Butterworth Heinemann Oxford Press.
- Dutz, M.A., J.A. Aordover and R.D. Willig (2000), "Entrepreneurship, Access Policy And Economic Review, Pp 739-747.
- Elkan, Walter, (1988) "*Entrepreneurs and Entrepreneurship in Africa*," *Finance and Development* December, 20, 41-42.
- Gillis, Malcolm, Dwight H. Perkins, Michael Roemer, and Donald R. Snodgrass, (1996) *Economics of Development*, New York: W.W. Norton and Company, Pp. 8. Homewood, IL: Irwin.
- Hoselitz, B.F. (2001) "Entrepreneurship and Economic Growth," *American Journal of Economic Sociology*, Pp. 12.
- Lyons, T.S., (2002). *Building Social Capital for Rural Enterprise Development: Three Case Studies in the United States. Journal of Developmental Entrepreneurship*.
- Lyson, T.A., (1995). "Down and Out in Rural America: The Status of Blacks and Hispanics in the 1980s." in L.J. Beaulieu and D. Mulkey, eds., *Investing in People: The Human Capital Needs of Rural America*. (pp 167-82). Boulder, CO: Westview Press, 1995.
- Mainoma, M.A. and Aruwa, S.A.A (2008), *The Nature and Content of Entrepreneurship Education in Tertiary Institutions in Nigeria*. A Paper Presented at An International Conference on Entrepreneurship Organized by Chike Okoli Centre for Entrepreneurial Studies, Nnamdi Azikiwe University, Awka, Nigeria.
- Mbaegbu, D.G. (2008) *The Effect of Public Policy on Entrepreneurship Development in Nigeria*.
- Petrin, T. (1992). "*Partnership and Institution Building as Factors in Rural Development*". Paper Presented at the Sixth Session of the FAO/ECA Working Party on Women and the Agricultural Family in Rural Development, Innsbruck, Austria, 13-16 October.

- Petrin, T. (1994). "Entrepreneurship as an Economic Force in Rural Development." Keynote Paper Presented at the Seventh FAO/REU International Rural Development Summer School, Herrsching, Germany, 8-14 September 1994.
- Saeed, Khalid, (1998) *Towards Sustainable Development*, Brookfield: Ashgate, 1998, 235-259.
- Schumpeter, J. (1934), *The Theory of Economic Development*, Harvard University Press, Cambridge, Mass.
- Schumpeter, Joseph A., (1951) *Essays of J.A. Schumpeter*, Cambridge, MA: Addison Wesley Press, Inc., 1951, 248-250.
- Sherief, Sultan Rehman (2004), Entrepreneurship as an Economic Force in Rural Development, Magnus school of Business, Chennaic, India
- Stam, Erik (2005), The Fragile Success of Team Start-up, A Discussion Paper on Entrepreneurship, Growth and Public Policy, Max Planck Institute for Research Into Economic System, the Netherlands.
- Stephenson, H.H. (1985). "New Business Ventures and the Entrepreneur", Homewood, Irwin.
- Timmons, J. (1994), *New Ventures Creation: Entrepreneurship for the 1st Century*,

Reference to this paper should be made as follows: Ayodele O.C. *et al.*, (2013), Appraisal of Public Policy on Entrepreneurship Development and Economic Growth in Nigeria. *J. of Management and Corporate Governance*, Vol. 5, No. 2, Pp. 77 – 87.
