

## The Challenges of Entrepreneurship Development in Nigeria

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### ABSTRACT

*This paper examines the challenges of entrepreneurship development in Nigeria. This paper also sees entrepreneurship as the process of identifying, developing and bringing a vision to life. The vision may be an innovative idea, an opportunity, or simply a better way to do something. The end result of this process is the creation of a new venture, formed under conditions of risk and considerable uncertainty. In this era of shrinking economic activities, government should endeavour to provide the necessary resources required for entrepreneurship development. This is because without technological skills, entrepreneurial spirit which drives economic development through job creation will be lacking. The paper conclude that entrepreneurship is essential for rapid and sustained economic growth but there is urgent need to change the mindset of the average Nigerian especially the youths towards embracing self employment and de-emphasize the search for white collar jobs that are non-existent. Entrepreneurship as a means of self employment suffers a number of great challenges", and these challenges are what this paper work identify.*

**Keywords:** Entrepreneurship Development, Economic Development, Self Employment.

### INTRODUCTION

Nigeria is blessed with abundant human and natural resources which if properly harnessed would have turned this country into a developed economy. But given the massive corruption, lack of commitment, the dominant role of public sector in the economic life of the nation, the country has lost opportunities for growth and sustainable development. It is an attempt to reverse this decline in the nation's economy, that current government policy of private sector led growth for job and wealth creation which is anchored on entrepreneurship is being pursued with vigor. In this new dispensation, government is to provide an enabling and conducive environment for the private sector to strive. This could only come from total change of attitude and a genuine embrace of entrepreneurial development which is a contemporary phenomenon now. Globalization calls for value creation and greater competitiveness for Nigeria not to loose out. The objective of this paper is to examine what need to be done to tackle the challenges faced by entrepreneurs to unleash and harness the entrepreneurial sprint of it's people to enable it become an economic giant in the nearest future.

The compounding issue to be addressed will have to do with the challenges and problems militating against the success of our entrepreneurs in this country. They are faced with numerous challenges and problems; the sole aim of this research is to find

out those problems and challenges and if possible, provide a lasting solution so that the nation's economy will move from grass to grace through a sound entrepreneurial practices.

### **THE CONCEPT OF ENTREPRENEURSHIP**

According to Hisrich 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 behaviour 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 your eyes open and your mind active. It is to be skilled enough, confident 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 see 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. (Hisrich & Peter, 2008)

According to Aruwa (2004), 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 Longenecker 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 customers, 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) reiterate 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 assented 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 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.

### **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 industry (BOI)
4. Microfinance Bank
5. 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 have 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.

### **THE ROLE OF ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT**

According to Aruwa (2006), economic growth simply means an increase or an expansion of the national income and the volume of goods and services, in the economy. Economic development on the other hand, refers to the improvement of the quality of the people due to the expansion of the national income and the column of available goods and services. Entrepreneurship development can bring about economic development through technological advancement and the establishment of many enterprises. 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 labor 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 18 th 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.

### **ENTREPRENEURSHIP OPPORTUNITIES IN NIGERIA ECONOMY**

Most good business opportunities do not suddenly appear, but rather result from an entrepreneur's alertness to possibilities or, in some case, the establishment of mechanisms that identify potential opportunities. Most entrepreneurs do not have formal mechanisms for identifying business opportunities, some source are often fruitful. These include consumers and business associate, members of distribution system, and technical people. Often, consumer, such as business associates purchasing products to fit a certain lifestyle, is the best source of ideas for a new venture. Many business have started as a result of complain about poor quality or high cost of the product or service by the consumers. Many other entrepreneurs have identified business opportunities through a discussion with a retailer, wholesaler, or manufacturer's representative. Technically oriented individuals often conceptualize business opportunities when working on other projects. There are several entrepreneurship opportunities in Nigeria.

According to the Nigeria small and medium scale enterprises toolkit, developing a business idea is

- ☒ A matter of creating a vision
- ☒ Leveraging your strength and
- ☒ determining what the market needs.

From these three ideas you might begin to ask some question and the answers to those questions will pave way for you to start a business.

### **THE WAY FORWARD TO ENTREPRENEURSHIP DEVELOPMENT IN NIGERIA**

It is strongly believed that entrepreneurs in Nigeria are faced with numerous challenges and problems; notwithstanding every identified problem most have a solution. The solution to the challenges faced by entrepreneurship development in Nigeria lies in both the hands of government and the up coming and future entrepreneurs who wishes to venture into business. The future entrepreneurs have a very serious role to play to see that the challenges faced by entrepreneurs is reduced or totally eliminated. The researcher strongly believes that the following points will serve as a solution to the challenges and problem of entrepreneurship development in Nigeria.

a. Future and upcoming entrepreneurs should concentrate during their period of studies in higher institutions of learning so as to acquire the required technical skills which will help them to identify business opportunities, take advantage of such opportunities, venture into business and become a successful entrepreneur which will result to national development.

b. Strong patent law should be provided by the government of the federation so that local entrepreneurs will be protected from foreign producers. Government should encourage the production and consumption of local products made in the country; in this way, the indigenous entrepreneurs will be encouraged to venture into business.

c. The government should give loan to entrepreneurs as at when needed. The interest rate of such loan should be such that is affordable by the entrepreneurs, commensurate directives should be given by the C.B.N to commercial banks, the C.B.N should encourage the commercial banks to give loan to entrepreneurs at a lower interest rate.

d. Finally, government officials should discourage corruption, tribalism, religious bias and favoritism and ensure that every individual is treated with equal right and respect in terms of giving loan, issuing business certificate, signing of patent law as well as issuing certificate of incorporation.

### **CONCLUSION AND SUMMARY**

Entrepreneurship is essential for rapid and sustained economic growth and development. It creates the required man power and skills necessary for accelerated growth, reduce unemployment and poverty. It is therefore strategic and wise for Nigeria to assign a significant and increasing role to entrepreneurship in their effort to revamp the economy. For the entrepreneurs to be effective in creating wealth and employment opportunities, the government needs to create an investor-friendly environment encompassing stable macro-economic policies government needs to address urgently the dilapidated infrastructural facilities in the country, starting with the power sector,

roads and railways, provide adequate security and give every citizen the sense of belonging. The educational sector needs to be revamped with emphasis on science and technology. There is need to change the mind set of young people to embrace self employment rather than waiting for non-existing government job.

Lastly, there is the need to ensure that those with innovative ideas are provided with the financial support to translate such ideas into reality.

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