

An Assessment of the Determinants of Micro-Entrepreneurial Development in Nigeria and Millennium Development Goals

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Abstract

There is no doubt the fact that the level of unemployment and poverty rate in Nigeria is growing high and alarming. Despite huge finances injected by the government, little has been achieved due to corruption, poor target mechanism and poor implementation. The quest to arrest these problems gave impetus to the development of indigenous micro – Entrepreneurs in Nigeria. The focus of this study therefore, is to critically examine all the factors that influence and determine the growth and development of indigenous Entrepreneurs in Nigeria and to highlight the roles these determinants play in the growth and development of Nigeria. The paper concluded that Micro – Entrepreneurship could create more jobs as a way of addressing youth unemployment and poverty. The paper recommended the need for government to partner with private sector to promote and develop Micro-Enterprises. There is also the need for monitoring team to be

drawn from all sectors of the economy that would always sensitize and enlighten the citizens and carry out impact assessment of every program in Nigeria.

Introduction

The role of micro, small and medium enterprises in the developing economies has assumed a major significance in recent years. In the developing economies there is a great number of micro and small enterprises mainly in the informal sector. They account for a large segment of the productive population. Micro small and medium businesses account for over 95 percent of non-oil productive activities outside agriculture in Nigeria. In recent years, they are expected to act as strong agents of economic growth and sustainable development which forms the fulcrum of the Millennium Development Goals (MDGs).

The accelerative effect of the micro enterprises cannot be overemphasized in achieving macroeconomic objectives in any country. The strengths of an economy depend on the strengths of its small business (Briley, 1979). Micro enterprises play significant role in income distribution, development of local technology, stimulation of indigenous entrepreneurship, reduction of rural - urban migration, supply of raw materials to large - scale Industries, creation of employment and reduction of poverty level. In recent times, the developing countries have shown great attention on indigenous micro entrepreneurship having regarded it as a catalyst to the attainment of developmental objectives and self - reliance (Olorosola, 2003 and Ojo, 2003). This great awareness has not been misplaced in view of the level of poverty in these countries. Fasoranti (2006), explains the economic effects of Teeming unemployed youth which include loss of output, labour wastage, crime, violence and frustration. These problems can be arrested with the development of indigenous micro entrepreneurs. It is generally believed that microenterprises sub sector provides the backbone for the larger economic base as it could control a major percentage of activities such as transport, food production, machine - fabrication and repairs, commerce and trading. It could account for a large percentage of jobs and provision of basic services that drive the economic system.

In a bid to curb unemployment and alleviate poverty, many intervention programmes and schemes have been introduced in Nigeria by various governments. Unfortunately, little has been achieved despite huge resources injected due to poor implementation, corruption of government officials and poor targeting mechanisms (Ogwumike, 2004).

Economic literature is replete with the studies on the micro enterprises financing. The role of capital in enterprise growth and development has been recognized over the years and well documented in literature. Capital is needed for the establishment of new businesses as well as the expansion, modernization and diversification of existing ones. There is no doubt that adequacy of capital and credit is a critical factor to development of micro-entrepreneurship in a country. In fact, the various programmes and schemes of the government have evolved around finance. But the issue is that the results have not been encouraging in Nigeria. There is still high level of unemployment and the poverty rate is still alarming. Little wonder, there is youth restlessness in many parts- of the country, especially the Niger Delta Region. Suffice it to say that the growth and sustainability of indigenous entrepreneurs could be influenced not only by finance but other variables.

Generally, the definition of Micro, Small and Medium enterprises (MSMEs) varies from country to country, depending on the suitable parameters aimed at promoting the sub-sector in each country. In accordance with the guidelines governing the abolished small and medium industries equity investment scheme, a small and medium scale industry is defined as a productive venture with a maximum asset of ₦200 million excluding the most of land and working capital with the number not less than 10 employees. In most less developed, countries, the promotion of micro, small and medium enterprises has become an important part of the process of reform and restructuring. A greater attention is being focused on the (MSMEs) in view of the parlous state of the economies of these less developed countries. The poverty level is high and unemployment has reached an alarming rate, frustration, is boldly written on the faces of the poor. The World Bank recently reported that. Sub-saharan African countries have the targest share of people living below \$1 a day. The tragedy is that while other countries in Asia and Latin America are slowly pulling themselves out of the poverty club, African countries, including Nigeria are digging deeper into lower levels of deprivation, with the result that the number of poor people in this region is expected to rise from 315 million in 1999 to about 404 million in 2015. In response to this crisis the international community has adopted a .set of international development goals. In recent past, in Nigeria, a lot of institutional arrangements for the financing of SMEs have been put In place. Infact, the market size for microfinance banking in the country is very large. According to Ojo (2003) World Bank report state that Nigeria is the third largest microfinance market in the world after China and India. Have these initiatives contributed in as any way to the growth and

sustainability of the micro and small enterprises a bedrock of the industrial development in Nigeria? This is the question that the study intends to address.

The essence of setting the millennium development goals is to spur all economic and social agents to advance economic planning, development and activity leading to maximization of productivity, progress, efficiency, standard of life, wealth creation, harmony and unity, minimization of waste, idleness, ignorance, drudgery, inefficiency, empathy, discrimination, suppression, oppression, violence, poverty and illness.

In achieving macroeconomic objectives in Nigeria, the government's socio-economic transformation agenda has been put in place. This agenda is known as "National Economic Empowerment and Development Strategy" (NEEDS) with a focus on four key objectives, namely poverty reduction, employment generation, wealth creation and value re-orientation. The states, through the help of the federal government, have also developed their own reform programmes, through the 'State Economic Empowerment and Development Strategy' (SEEDS). We are all aware that the action plans for the implementation of the NEEDS programme ended in 2007. NEEDS is to cover 2007 - 2011. The issue is not plan alone but effective and efficient implementation of the plan.

There are some topical issues based on academic literature available, which actually create gaps in knowledge about entrepreneurial centred economic development strategy. These issues include:

- (i) Dearth of theoretical literature on the traits, and nature of entrepreneurs.
- (ii) Lack of theoretical literature on the dimension of entrepreneurship and their integration for local environment.
- (iii) Inadequacy of empirical academic research to identify the factors that could encourage people to engage in microbusiness in developing economies.
- (iv) Paucity of empirically based literature on the implication of the entrepreneurial centred economic development strategies on the living condition of the target communities especially in the less developed countries.

The above mentioned gaps should form the basis for the pursuit of a well funded research.

Literature Review

Conceptual Framework

Microenterprises may be conducted in a form of a sole proprietorship as single ownership, as a partnership where 2 or 3 people pool their resources together. The following characteristics are common to the enterprises:

- Ease of entry and exist
- Low initial capital requirement Personal commitment of the proprietors whose life savings usually form the start - up capital
- Availability of less complex technology
- High content of local inputs in the process of production.
- High potential for job opportunities.

Suffice is to say, in Nigeria, a lot of policies and incentives for the development of microenterprises have been put in place, but the desired results have not been achieved. There is insufficient evidence to show that concerted efforts have been made, through empirical study, to appreciate the target citizen's characteristics and their environments before putting up incentives and schemes. The governments are of the opinion that capital is the crucial factor for entrepreneurial development. Apart from the fact that the funds might not actually get to the target, there might be other factors that could enhance the growth of indigenous entrepreneurship. This study is trying to investigate the determinants of entrepreneurial development in Nigeria and also analyse the role each of the determinants play in the growth, and sustainability of the microbusiness.

The process of industrialization is the system of production that is based on division of labour and on specialization and it uses mechanical, chemical and intellectual aids in production. Hughs (2001) also refer to it as the development of economic activity making use of machinery and other capital assets with defined task of labour and formalized employment relationships. The two views look at industrialization from the large scale point of view and ignore the microindustries whose activities are more informal and yet contribute to economic development. Experience from Japan -and Taiwan in the 1960s, and 1970s has shown that small enterprises can also play great roles in development. Countries strive to industrialize so as to raise the standard of living of the citizens. Thirwal (2002), in his study, found out that there is a positive relationship between industrial growth and that of the gross domestic product. He reported that the greater the excess of

manufacturing output growth over and above the rate of growth of the economy as a whole, the faster the overall growth 'would be. It is also envisaged that when manufacturing grows faster, its capacity to absorb - labour from other sectors of the economy increases. This accounts for the inverse relationship between the development of enterprises and the labour force engaged in agriculture. A country may also like to industrialize in order to conserve foreign exchange, Hirschman (2000). There is a great confusion as to the definitions of entrepreneur and entrepreneurship depending on the environment.

In United States of America (USA) for example, the entrepreneur is often defined as one who starts his own new and small business. It must be realized that not every new small business is entrepreneurial or represents entrepreneurship until it creates a new satisfaction or new consumer demand not necessarily only when it involves risk as some people believe. To be entrepreneurial an enterprise must have specific characteristics other than being new and small. It must create something new, something different, and must be capable- of converting value. Suffice it to say that in the Nigerian setting, an entrepreneur should be viewed as someone who looks for change, responds to it, and exploits it as an opportunity for productive business. Meredith et al., (2001) define entrepreneurs as people who have the ability to see and evaluate business opportunities, gather the necessary results in order to take advantage of them and to initiate appropriate action to ensure success. Gartner (2003) defines entrepreneurship as a set of activities involved in the creation of an organization.

There is a growing debate and discussion on entrepreneurial centred economic development strategy. Past studies examined issues on common perception on microenterprises - primarily as vendors and small traders, formation of microenterprise and role of the state in poverty reduction.

Gartner, (2003) proposes four major dimensions of entrepreneurship that should be integrated, namely, the founder's characteristics, the organisation's characteristics, the environment surrounding the firm and the process by which the new venture is started. Mullins and Forlani (2004) found that entrepreneurs exhibit their risk - averse behaviour when they are either in control of their venture but lack market skill, or without control of the venture but have technical skill. An entrepreneur can easily succeed if he has good leadership style, originality, self - confidence and has ability to take risk. The reasons for business success as cited in Walker (2000) include good business plan, good product and good management practices as well as the personal characteristics such as high motivation, determination, perseverance and good communication skills. Suffice to say that success

factors, according to Yusuf (1998), include, market factor (location and size of demand), level of educational training, access to finance, personal qualities and traits and prior experience in Business.

Factors Influencing Development of Micro Entrepreneurship

Literature is replete" with environmental factors which can influence the fortunes or otherwise of a business. These include, the state of economy, the legal or regulatory environment, market and competitive environment, technological, 'political and socio political environment.

Specifically we shall look critically at the factors that could influence microenterprises. Capital is very crucial to any venture. Adequacy of capital can enhance the growth of any business. Many people could not start a business due to lack of capital. They believe that without money there could be no venture. The financial institutions in Nigeria are not helping matters, as they are always reluctant to give out loan to microentrepreneurs because of the risk of losing their money. Studies have shown that the main sources of fund for small'- scale business are personal savings, cooperative societies, family and local money lenders. With sufficient funds, a business man should be able to grow and sustain his business. However, there is no sufficient empirical evidence to confirm that capital is the only factor contributing to the growth of micro businesses in Nigeria. Other factors influencing the growth and sustainability of micro business are explained in this section.

Business Experience

Ordinarily, business experience enhances productivity and output. Most people who engage in micro businesses usually undergo apprenticeship in order to acquire the necessary skill and experience needed for their vocations.

Haswell & Holmes (1999) explain incompetence, inexperience and managerial inadequacy, etc to be the reasons for business failure. Gaskill et al., (1993) argue that some characteristics shared by failed businesses are related directly to personal decision - based characteristics of the business owner such as lack of insight, inflexibility, emphasis on technical characteristics, lack of training, and poor record keeping.

Conducive Environment

Another factor that could influence development is provision of basic infrastructure in the rural areas. Studies have shown that the greater

percentage of the population still live in rural areas. In a situation where amenities such as power supply, good roads, water supply can only be found in urban cities there would still be migration to these cities especially, the youths who would have stayed in their various rural areas and engaged in small scale activities. On getting to the urban cities, they engage in nefarious activities and forget about their skill. Suffice it to say that provision of necessary facilities would encourage people to stay in rural areas, and put into use their entrepreneurial skills. The government should address this area in order to get the youths gainfully engaged.

Pragmatic Government Incentive and Fiscal Policy

Government can encourage people to engage in small businesses by making available other incentives, apart from cash, in form of raw materials, equipment and guarantee of market after production. This can be successfully achieved if there is political will and less corruption of the government officials.

There is a need for consistency in government fiscal policies such as 'tax, export and tariff regimes in order to address microenterprises constraints such as market access, input supply technology development and market capital. The government can address this squarely by having firsthand information about the problems and yearning of the target communities. This can be achieved by making use of the empirical studies from independent groups from the academia. Most often government, without adequate and correct information, introduces incentives and schemes which are not always relevant to the target communities or sector of the economy but could be beneficial to the government officials who enrich their purses from the funds made available for such schemes and incentives. The magnitude of corruption in Africa has been brought to light by Transparency International's Corruption Perception Index (CPI). Table 1 below shows the degree of corruption level across countries. One can see from the table that the level of corruption is high in virtually all African countries. Little wonder, the 'countries are experiencing low growth rates. Many government policies and incentives put up for the development of micro and small scale industries have been rendered impotent due to corrupt practices of some public servants.

Table 1: Corruption Percentage Index (CPI) And Real Growth Rates In African Countries.

Country	1998		1999		2000		2001	
	CPI	Growth Rate (%)	CPI	Growth Rate (%)	CPI	Growth Rate (%)	CPI	Growth Rate (%)
Botswana	6.1	8.1	6.1	4.1	6.0	7.7	6.0	6.1
Burkina Faso	n.a.	6.2	n.a.	5.8	3.0	2.2	n.a.	6.1
Cameroon	1.4	5.0	1.5	4.4	2.0	4.2	2.0	3.9
Chad	n.a.	6.7	n.a.	0.5	n.a.	0.6	n.a.	7.9
Cote d'Ivoire	3.1	5.8	32.6	1.	2.7	2.3	2.4	3.3
Egypt	2.9	5.6	3.3	6.0	3.1	6.4	3.6	3.3
Guinea Ethiopia	n.a.	-1.4	n.a.	6.2	3.2	4.6	n.a.	6.2
Gabon	n.a.	3.5	n.a.	-9.2	n.a.	-1.9	n.a.	1.0
Ghana	3.3	4.7	3.3	4.4	3.5	3.7	3.4	5.8
Kenya	2.5	2.1	2.0	2.0	2.1	-0.5	2.0	2.0
Mali	n.a.	5.0	n.a.	6.6	n.a.	4.3	n.a.	-0.6
Mauritius	5.0	5.8	4.9	0.0	4.7	8.9	n.a.	5.6
Morocco	3.7	7.7	4.0	0.0	4.7	0.9	n.a.	4.89
Mozambique	n.a.	11.9	3.5	7.3	2.2	2.1	n.a.	13.3
Namibia	5.3	3.3	5.3	3.4	5.4	3.3	5.4	3.0
Nigeria	1.9	1.8	1.6	2.8	1.2	3.8	1.0	3.8
Senegal	3.3	5.7	3.4	5.1	3.5	5.5	2.9	5.0
South Africa	5.2	0.7	5.0	1.9	5.0	3.1	4.8	2.0
Banzania	1.9	3.3	1.9	4.8	2.5	5.1	2.2	4.4
Uganda	2.6	4.6	2.2	7.6	2.3	4.6	1.9	4.5
Zimbabwe	4.2	2.5	4.1	-0.2	3.0	-5.5	2.9	-5.7

Source: World Bank Publication 2001.

Those government functionaries who have been charged with the task of providing enabling environment for small entrepreneurs to operate have used the opportunity to enrich their purse with the funds provided for such incentives. Little wonder, why some people have been clamouring for strong partnership between the government and the private sector in order to have meaningful growth and sustainable small scale businesses.

Finance

Finance is very crucial for any venture. Adequacy of capital can enhance the growth of any business. Many people could not start a business due to lack of capital. They believe that without money there could be no venture. The

financial institutions in Nigeria are not helping matters as they are always reluctant to give out loan to micro entrepreneurs. This is because of the risk of losing their money. Studies have shown that the main sources of fund for small – scale businesses are personal saving, cooperative societies, family and local money lenders funds from formal sector have not been adequate as depicted in table 2 which shows credit to small businesses, from commercial banks between 1992 and 2006. With sufficient funds, a business man should be able to grow and sustain his business. However, there is no sufficient empirical evidence to confirm that capital is the only factor contributing to the growth of micro businesses in Nigeria.

Table 2: Ratio of Loans to Small Scale Enterprises to Commercial Banks Total Credit.

Year	Commercial banks loans to small scale Enterprises (N M)	Growth rate of Commercial banks loans to small scale Enterprises	Commercial banks Total credit (N M)	Growth rate of Commercial banks loans to small scale Enterprises	Commercial banks loans to small scale Enterprises as percentage of total credit (%)
1992	20,4000.0	-	41,810.0	-	48.8
1993	15,462.9	- 24.2	48,056.0	14.9	32.2
1994	20,552.5	32.9	92,624.0	92.7	22.2
1995	32,374.5	57.5	141,146.0	52.4	22.9
1996	42,302.1	30.7	169,242.0	19.9	25.0
1997	40,884.3	-3.5	240,782.0	42.3	17.0
1998	-42,260.7	3.5	272,895.5	13.3	15.5
1999	46,824.0	10.8	353,081.1	29.4	13.3
2000	44,542.3	-4.9	508,303.2	44.0	9.7
2001	52,428.4	17.7	796,164.8	56.6	6.6
2002	82,368.4	57.1	954,628.8	19.9	8.6
2003	90,176.0	9.5	1,210,033.1	26.8	7.5
2004	54,981.2	-3.9	1,519,242.7	25.6	3.6
2005	50,672.6	-7.8	1,899,346.4	25.0	2.7
2006	61,396.5	0.21	1,650,952.5	-0.91	4.4

Source: Computed Deposit Money Banks Returns

Conclusion and Policy Recommendation

This paper shows that micro enterprises could create more jobs than created 'by larger enterprises because of their wider spread and their ability to start operations with little capital in both remote and urban areas. A well - coordinated 'bottom - up' community based and micro entrepreneurial centred economic development strategy can go a long way in addressing

youth unemployment and poverty. The government should therefore see the need for partnership with private sector to promote and develop micro enterprises. The universities should be encouraged to embark on researches that would assist the government in relevant policy formulation in entrepreneurial centred development efforts. Furthermore, there is a need for a monitoring team drawn from the academic community, private sector and targeted community that would always sensitise and enlighten the targeted people and assess the impact of any proposed development initiative. To enhance the flow of funds to microfinance enterprises, the bankers committee set up a microfinance credit funds (MCF) of N50 billion and it was launched by federal government on February 12, 2008. It is hoped this move would be backed up by political will and would be devoid of corruption.

That is why the country has been described as a country of paradoxes. The country is blessed with a lot of natural and human resources but since independence, its potentials have remained untapped and the little that has been tapped mismanaged. It is high time, the managers of the economy looked for a more pragmatic approach of enhancing the status of the exiting and prospective entrepreneurs. It is time, the country developed a robust enterprise development strategy which would reflect a series of different interventions involving a wide range of possible partners over a period of time. Let us close our door to theoretically – laden programmes that are devoid of political will and practical applicability. There is a need to evolve, adapt and create the appropriate laws and institutions in order to transform the country. Rule of law must prevail rather than the rule of men.

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