ROLES OF ENTREPRENEURSHIP IN SMALL AND MEDIUM ENTERPRISES DEVELOPMENT IN NIGERIA

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Abstract
The paper sees entrepreneurship as the process of creating something new with value by devoting the necessary time and effort, with the accompanying financial and social risks, and receiving in return monetary rewards and personal satisfaction and independence. Using secondary data, the paper seeks to explore the issues involved in entrepreneurship and economic development in Nigeria, the problems of entrepreneurship and how these have threatened the sustenance of small business enterprises in Nigeria. The paper concludes 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.

Introduction
In today’s world where technological change, liberalization, outsourcing, and restructuring rule the business enterprises, the subject of entrepreneurship has gained greater interest. This is because entrepreneurship is seen as a method for bridging the gap between science and the marketplace, creating new enterprises, and bringing new products and services to the market. Entrepreneurial activities impact on both the overall economy by building economic base and providing jobs. The role of entrepreneurship in economic development is wide as it involves initiating and constituting change in the structure of business and society. This change is accompanied by growth and increased output, which allows more wealth to be divided by the various participants, Hisrich and Peters (2002). Entrepreneurs are driven by the desire to be their own bosses, do what they want to do, and turn passions into profit-making businesses. An
Entrepreneur is one who initiates a new business in the face of risks and uncertainty for the purpose of satisfying human needs and making a profit. An Entrepreneur carves out a niche for himself by scanning the environment, identifying opportunities and threats and combining and utilising the necessary resources to capitalize on opportunities identified.

There are so many factors as reasons why people go into business for themselves. Pride, Hughes and Kapoor (2000) said one that is often cited is the “entrepreneurial spirit”, the desire to create a new business. Other factors may include independence, the desire to determine one’s own destiny, and the willingness to find and accept a challenge that, certainly play a part even though family background may also exert an influence as well. However, there must be some motivation to start a business such as leaving a paid employment where opportunities were not available to think and earn your own living, lost of jobs, having an idea for a new product or a new way to sell an existing product or the opportunity to invest into business may arise suddenly. In some people, the motivation to start a business whether small or medium develops slowly as they gain the knowledge and ability required for success as a business owner. Small businesses traditionally lead to increase of new jobs in Nigeria economy.

By hiring a larger proportion of employees who are younger workers, older workers, women or workers who prefer to work part-time thereby contributing to solving unemployment problems. Small firms also provide a variety of goods and services to each other and much larger firms. Large firms generally buy raw materials from small businesses because it is less expensive, this eventually reflected in the price that consumers pay for their products. Nigeria is naturally endowed with entrepreneurship opportunities; however the realization of the full potential of these opportunities has been dampened by the adoption of inappropriate industrialization policies at different times (Ebiringa, 2012).

**Review of Literature**

Entrepreneurship involves taking chances, but new businesses do not emerge by accident (Egelhoff, 2005). They are usually founded as a result of motivated entrepreneur gaining access to resources and finding niches in opportunity structures. Hence, entrepreneurship could be seen as the process of identifying and exploiting unique business opportunities that stretch the creative capacities of both private and public organizations. Sue and Dan (2000) argue that entrepreneurship is influenced by genetic power, family background and economic environment. Since economic environment could support or suppress entrepreneurship, governments world over undertake to develop macroeconomic policies that focus mainly on providing access to resources and support services to individuals and organizations that display flair for expanding their business horizons.

Entrepreneurship consists of routine management tasks, relationships with venture capitalists and other sources of external finance, product development, marketing, and so on. Garba (2010) asserted that the term entrepreneurship means different things to different people and with varying conceptual perspectives. He stated that in spite of these differences, there are some common aspects such as risk taking, creativity, independence and rewards. However, Ogundele (2007), viewed entrepreneurship as a multidimensional phenomenon. It was found that processes of emergence, behavior and performance of indigenous entrepreneurs were separately and in combinations affected not by a single but multiple factors, in ranging degrees such as socio-cultural, ecological, managerial, educational developmental, experiential, technological, structural, ethical and innovative issues. It was observed that any policy designed to change entrepreneurship scenario in Nigeria will require multiple and simultaneous
approaches in the development of necessary changes in the behavior of indigenous entrepreneurs.

To Shane (2010), entrepreneurship is the act of being an entrepreneur, which can be defined as "one who undertakes innovations, finances and displays business acumen in an effort to transform innovations into economic goods.” This may result in new organizations or may be part of revitalizing mature organizations in response to a perceived opportunity.

The Influence of Entrepreneurship on Economic Development

The concept of economic growth is relevant at the levels of firms, regions, industries, and nations. Hence, linking entrepreneurship to economic growth implies linkage between the individual level and the aggregate level. The relationship between entrepreneurship and economic growth is an important one. Entrepreneurial activities have been found to be capable of making positive impacts on the economy of a nation and the quality of life of the people. Studies have established its positive relationship with stimulation of economic growth; employment generation; and empowerment of the disadvantaged segment of the population, which include women and the poor (Thomas and Mueller, 2000; Reynolds, 1987; Shapero, 1981).

A sizeable body of literature analyzing the impact of entrepreneurship on economic performance at the level of the firm (or establishment) emerged. These studies typically measure economic performance in terms of firm growth and survival (Audretsch, 1995; Caves, 1998; Davidson et al., 2006). The compelling stylized fact emerging from this literature is that entrepreneurial activity, measured in terms of firm size and age, is positively related to growth. New and (very) small firms grow, on average, systematically larger than large and established incumbents. These findings hold across Western economies and across time periods. The link between entrepreneurship and performance is also extended beyond the firm as unit of observation to focus on geographic regions (Acs & Armington, 2004; Audretsch & Fritsch, 2002).

Entrepreneurship is “at the heart of national advantage” (Porter, 1990). Concerning the role of entrepreneurship in stimulating economic growth, many links have been discussed. It is of the utmost importance in carrying out innovations and enhancing rivalry. Entrepreneurship is the basic key for business growth, most business today grew out of the effort of one man with passion, the effort of one man who wants to make profit and who wants to innovate or create a new product. According to Schumpeter, capital and output growth in an economy depends significantly on the entrepreneur. The quality of performance of the entrepreneur determines whether capital would grow rapidly or slowly and whether the growth involves innovation where new products and production techniques are developed. The difference in economic growth rates of countries of the world is largely due to the quality of entrepreneurs in those countries. Production factors of land, labour and capital are said to be dormant or indolent without the entrepreneur who organizes them for productive ventures (Ebiriga, 2012).

Entrepreneurial activities have been found to be capable of making positive impacts on the economy of a nation and the quality of life of the people (Adejumo, 2000). Ogbonifoh et al (1999) explains that entrepreneurship is an essential variable in any nation’s economic growth and development. It is therefore true that the growth of a nation (country) depends on whether it has entrepreneurs and encourage entrepreneur and entrepreneurship successes depends largely on whether the human capital is being deliberately harnessed and nurtured to become entrepreneurially successful because entrepreneurs are born as well as made. Economic growth is determined by two elements, (a) by the available quantities of goods that can be used in the
productive process and (b) by the adroitness with which these available factors of production are combined.

Entrepreneurship is a key driver of any economy; wealth and a high majority of jobs are created by small businesses started by entrepreneurially minded individuals, many of whom go on to create big businesses. There is more creative freedom for people who are exposed to entrepreneurship. There is higher self-esteem, and an overall greater sense of control over the people’s own lives. It is the believe of many experience business people, political leaders, economists and educators that fostering a robust entrepreneurial culture will maximize individual and collective economic and social success on a local, national, and global scale. The importance of entrepreneurship to any economy is like that of entrepreneurship in any community: entrepreneurship activity and the resultant financial gain are always of benefit to a country. If you have entrepreneurial skills then you will recognize a genuine opportunity when you come across one. Small firms tend to employ more labour per unit of capital and require less per capital unit of output than do large one (Kuratko and Hodgetts, 1998).

Entrepreneurial activity and new firm formation are unquestionably considered engines of economic growth and innovation. As such, they are among the ultimate determinants of the large regional differences in economic performance (Baumol, 1990). The factor of production that will make this possible is the entrepreneur who is regarded by the economist as a factor of production responsible for the creation of the enterprise that run the risky business for the purpose of profit making while labour receive wages, land receive rent and capital attract rent as the return for their usage however, the entrepreneur receive profit as their return, this the economist view of who an entrepreneur is. Economic growth rates are often attributed to the role of the duo of government and entrepreneurs which is complementary and not mutually exclusive. In Nigeria, like some other economies, the government helps to encourage entrepreneurship development (Ebiringa, 2012). The entrepreneur is therefore an important agent of innovation growth and technical progress. The development and utilization of their technical and commercial skills create growth potential in micro, small and medium business enterprises. The present day global economy is knowledge-driven operating on the pragmatic and innovative thoughts of the entrepreneur. Business set ups have become informal and oriented towards survival and self employment.

The role of entrepreneurship in economic development involves more than just increasing per capital output and income; it involves initiating and constituting change in the structure of business and society. This change is accompanied by growth and increased output, which allows more wealth to be divided by the various participants. One theory of economic growth depicts innovation as the key, not only in developing new products or service for the market but also in stimulating investment interest in the new ventures being created (Duru, 2011).

Entrepreneurship has been recognized as an important aspect and functioning of organization and economies (Dickson et al, 2008). It contributes in an immeasurable ways toward creating new job, wealth creation, poverty reduction, and income generating for both government and individuals. Schumpeter in 1934 argued that entrepreneurship is very significant to the growth and development of economies (Garba, 2010). Hamilton and Harper (1994) examine the economist view about the entrepreneur as the act of profit making and the sole motivating factor for entrepreneur, while the sociologist and psychologist view of culture and trait are flatly ignored by the economist, thus Hamilton and Harper (1994) sum up that while the economist views are necessary but not sufficient, the sociologist and psychologist view should also be corporate in the axiom of entrepreneurship.
Small and Medium Enterprises Development

The majority of business enterprises in Nigeria like most other countries consist of small and medium businesses. Small business constitutes a vital element in the business life of any country such as Nigeria. Nigeria small business enterprises are still predominantly in the traditional state with only a few in the better-organised stage. National Council on Industry (2001) see ‘Owa Afolabi, F.I (2008) brought out four broad definitions of Small and Medium Enterprises; (a) Micro/Cottage Enterprises, (b) Small Scale Industry/Enterprises and (c) Medium Scale Industry/Enterprises and (d) Large Scale /Companies. The first term refers to an industry-enterprise with a labour size of not more than 10 workers or total cost of not more than N1.5 million, including Working Capital but excluding the cost of land. Second, this is an industry or enterprise with workers’ strength of between 11 and 100 or a total cost of not more than N50 million, including the cost of land. Third, a Medium Scale Industry refers to an industry with a labour size of between 101-300 workers or a total cost of over N50 million, but not more than N200 million including working capital, but excluding the cost of land. The forth term refers to an industry or enterprise with a labour size of over 300 workers or a total cost of over N200 million.

The Development of any enterprise whether (micro, small, medium or large) is a necessity that calls for concern by any entrepreneur. It involves the size of the business which consists of many factors such as market and technology, Tambunan (2009). If the market is small, only small or micro economic activities will be viable. This is because the market size itself is also determined by the level of real income per capital and the size of population, which together determine the actual number of buyers. Small and Medium Enterprises (SMEs) involved in manufacturing industry produce a variety of goods that can be grouped into two categories viz consumer and industrial goods. Their consumer goods can be sold in the market. Despite the strong competition by the large enterprises, SMEs are able to survive because their products are differentiated by nature or acquirement thereby creating niche for themselves e.g handicrafts which are outside the competitive area of items that are similar but more sophisticated and produced by large enterprises with machines. As a result SMEs have a better chance to survive and hence to grow and develop, whereas they would be out priced in the market if they tried to compete with large enterprises by making exactly the same products when the economic scale of output prescribes large enterprises accessing modern technologies.

However, concerning the manufacturing of industrial goods, SMEs manufacture products for other manufacturers, this makes them often regarded as ancilliaries to large enterprises. Large Enterprises (LEs) in order to remain competitive always focus on core competence and buy in other products and services. Through such production linkages mainly in the form of subcontracting, SMEs are often exposed to muscle power of the LEs, leading to problems for SMEs e.g inability to meet tight schedules and product specifications for LEs that is caused mainly by a technical, management and organization nature. Also, in addition, SMEs face difficulties delivering products “just-in-time” and with high standards of quality required by LEs.

Technological factor is another problem which is the pressure to respond to growing rivalry, forces managers to attend more carefully to their companies’ ability to innovate, Cohen (2002). Constant technological break-through compels companies to become more entrepreneurial in identifying and exploring new ideas. If the economic size dictated by the technology is large, SMEs will be outcompeted in the market because they cannot produce efficiently due to a lack of economies of scale e.g. electronics industry, the state-of-the-art
technology may indicate a large size, so LEs are viable. But neither the market nor the technology is fixed for all time, they constantly change.

Entrepreneurship and Economic Development in Nigeria
A nation economic development depends on the successful entrepreneurship combined with the forces of established corporation. Martin Career (2002) wrote that “In the theory of Economic Development”, Schumpeter stated the responsibility of the entrepreneurs as prime cause of economic development. He explained how large firms outstands the smaller firm in innovation and appropriation process through strong feedback loop from innovation to increased research and development activities.

Entrepreneurs are significant because they have important effect on world economy, Wickham (2004). An entrepreneur is an innovator, someone who transforms innovations and ideas into economically viable entities; independent of whether in the process she creates or operates a firm (Baumol, 1993). However, when the firm has been created, sometime they do not meet a practicable sustainability; they are often times faced with problems and when the problems happen, the entrepreneurship is logically affected not only economically but also mentally and emotionally. Entrepreneurship occupies an important place in the process of economic development as a result it has become a key concept in social and human development discourse; it is considered to be a factor of economic and human development (Abubakar, 2010).

There is probably no regime in Nigeria which at one time or another has not emphasized the development of small business enterprises. For example, the need for encouraging increased productivity and self-employment has been recognized since 1970s with formulation of the Small Scale Enterprises Promotion Policy. Until now, government pronouncements on promoting small business enterprises are not always translated into serious policy statements backed by effective implementation mechanisms. In fact, most of the programmes introduced to assist small business enterprises only reached a small portion of the total of small business population. In actual sense, policy makers were more concerned with the establishment of few large enterprises than developing small ones. This was what partly informed the Import Substitution Industry (ISI) Strategy of the late 1970s where huge sum of money was spent on unsustainable mammoth companies (Sagagi, 2005).

In Nigeria, according to Odeyemi (2003), there was an estimate of more than seventy percent of the entrepreneurship and small scale industries’ employments in the country and more than fifty percent gross domestic product created by entrepreneurship and small business enterprises. Entrepreneurship businesses easily have the tendency to either “failure” or “success”. An amount of entrepreneurs also have the tendency to survive the cause when it results to failure. These causes or factors such as economic recession, lack of access to credit facilities especially from financial institutions, lack of infrastructure, corruption and lack of support from government, and more, results to failure. In as much as there are many factors which challenge the survival and growth of entrepreneurship business both in developing and developed countries, fund has always been known as one of the most important factor among the problems of entrepreneurs. Ekpeyong (2002) wrote that the Nigerian government tried to support the entrepreneurship and small business enterprise by creating the public sector; a part of the social and economic of the society.

Entrepreneurship in Nigeria really needs attention from different sectors to help in every angle of its operation as it is one of the contributors of economic and social development in most
developing and developed countries. The entrepreneurship business contributes to the economic and social development, bringing about employment opportunities.

**Challenges of Entrepreneurship Development in Nigeria**

Having known the significant prospective of Entrepreneurship in fetching economic and social development which is supposed to be the concern of the government of various countries globally. Nigeria popularly known as the “Giant of Africa” is a country that has the highest population in the continent of Africa, accounting for fifteen percent of Africans population, also contributing about eleven percent of Africa’s total output and sixteen percent of its foreign reserves. Nigeria is still far away in achieving the economic progress needed to influence or better the well being of an average Nigerian citizen where more than half of the populations still live on a dollar daily, and they are among the top three countries in the world with largest number of poor people.

There are wide range business opportunities that are not given much attention by both the government and the entrepreneurs. Such businesses include organized trans-Sahara trade; solid minerals, solar energy, waste disposal and recycling; tourism; garment exports, medium tech equipment, mechanized agriculture, food/materials processing, industrial chemicals and supplies among others. Most of these activities tap directly into agriculture, local knowledge/skills and trade which are the main activities for an average Nigerian (Sagagi, 2005).

There are a number of problems limiting the growth of small and medium size businesses in Nigeria, ranging from limited financing and support; inadequate infrastructure, insecurity and lack of training/vocational facilities are believed to be responsible for slow business creation and growth in the country. Lack of basic infrastructure and security crippled small businesses in Nigeria. Thus, poor road networks, irregular electricity and water supply continued to make the cost of doing businesses extremely high in Nigeria. Insecurity of lives and property also take its toll on businesses. In particular, business owners in the southern part of the country attribute low business growth to the high incidences of robbery and theft in their communities.

In managing the Nigerian economy, successive governments have attempted a re-engineering of key sectors of the economy – particularly the banking, insurance and oil sectors. A change in the capitalization requirements could result in mergers [a forced succession] which jeopardize the sustainability of the enterprise. In Nigeria, experience abound where different governments use state power to foreclose renowned entrepreneur’s businesses or craft policies targeted at ruining his business. Therefore, in order to address critical issues surrounding the development of entrepreneurship in Nigeria many observers argue that the Asian model for economic growth should be explored. This is in view of the success recorded by many Asian countries that formulated and implemented policies aimed at promoting small and medium enterprises at the grassroots level.

**Conclusion and Policy Implications**

Entrepreneurship is essential for rapid and sustained economic growth and development. There are a number of entrepreneurship development programmes in Nigeria many of which are expected to offer direct support to small and medium size enterprises. However, the absence of a harmonized and well focused national entrepreneurship development agenda render most of the initiatives ineffective. Also, entrepreneurs should recognize that new ventures require strategy. They have to see their competitive environment with particular clarity and endeavour to create unique position that is worth defending. The practice where businesses imitate one another is at
Variance with creativity and innovation necessary for great success. Businesses could strategize by becoming customer driven, obsessed with improvements, responsive to new challenges, networked through business alliances and adopting long range thinking.

For the entrepreneurs to be effective in creating wealth and employment opportunities, the government needs to create an investor-friendly environment encompassing stable macroeconomic policies. Government need 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 inputs into an entrepreneurial process; capital, management, technology, buildings, communications and transportation infrastructure, distribution channels and skilled labor, tend to be easier to find in urban areas. Professional advice is also hard to come by. Consequently, entrepreneurial behavior, which is essentially the ability to spot unconventional market opportunities, is most lacking in those rural areas where it is most needed i.e., where the scarcity of 'these other inputs' is the highest. Bradford (2003) maintains that a shift towards integration with the rest of the world and a shift in promoting entrepreneurship attitude underscore the India’s economic growth. This he comments could be a good lesson for countries that could not live up to Asian miracle. Asian success model could not be replicated wholesale in Nigeria due to certain peculiarities, but vital lessons could be drawn from innovation, technology, and best practices.

The vast population of the country is made up of small scale farmers and petty traders. Over time, the performance of the industrial sector which is expected to create substantial job opportunities and serves as a link to the primary sector has not been impressive. Due to low domestic productive capacity, living conditions deteriorate (Sagagi, 2005). However, the improvement of infrastructure and transport facilities in rural areas may also create new markets (in urban areas), and hence a new growth impulse, for rural industries. Such improvement makes it easier for rural producers to sell their products, either with the help of traders or by themselves in nearby urban areas. The improvement encourages rural small and medium producers to expand their business or to change their market location. Enterprises in villages near to urban centres will produce more goods for urban markets to have larger markets than their counterparts in more isolated villages. This implies that rural-urban economic integration does not always mean that all rural industries are outcompeted or die. It depends especially on how rural industries can adjust quickly, for example, by changing or diversifying their products lines, increasing their products’ quality and shifting their marketing strategy, in response to a changing situation (i.e newly appearing market opportunities). This ability to adjust does not depend only on the abilities of the owners/producers; the more objective and general characteristics of the establishment themselves also play a role.

Every rational entrepreneur agree that at a particular period in business cycle, business could be very profitable and at the other dull. When good business lasts for a fairly long time, the period is regarded as a boom or prosperity. However, where poor business is experienced for long duration in business cycle, such situation is recognized as economic recession. These two periods (boom and recession) have been witnessed in Nigeria business environment by entrepreneurs as recorded between 1970 – 2005 by Akinfolarin, (2007) that gives an insight into booms and recessions to demonstrate how enterprises have been exposed to cyclical business fluctuations in the recent times in Nigeria. This boom and recession period could have negative or positive roles on SMEs development.
BOOMS AND RECESSIONS PERIODS IN NIGERIA (1970 TO 2005)

<table>
<thead>
<tr>
<th>Period</th>
<th>Boom or Recession</th>
<th>Causes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970-1976</td>
<td>High Boom</td>
<td>Post-war period, high earnings from crude oil. Spring up of many investments.</td>
</tr>
<tr>
<td>1977-1979</td>
<td>Low Boom</td>
<td>Drop in crude oil earnings; Austerity measures by the Government.</td>
</tr>
<tr>
<td>1980-1983</td>
<td>High Boom</td>
<td>High oil earnings, Government engaged in expansionary economy through unsustainable trade debt build-up.</td>
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<tr>
<td>1994-1999</td>
<td>Recession</td>
<td>Internal and political crisis; international isolation, low oil earnings.</td>
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In order to address critical issues surrounding the development of entrepreneurship in Nigeria many observers argue that the Asian model for economic growth should be explored. This is in view of the success recorded by many Asian countries that formulated and implemented policies aimed at promoting small and medium enterprises at the grassroots level. There is the need to ensure that those with innovative ideas are provided with the financial support to translate such ideas into reality and a strong commitment to entrepreneurial education at both the secondary and tertiary levels is necessary for SMEs development in Nigeria.

References


