

IMPORTANCE AND CHALLENGES OF ENTREPRENEURSHIP IN NIGERIA

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ABSTRACT

Entrepreneurship has been among the fastest growing area of economic and business interest and research all over the world. The growing interest in the area of entrepreneurship has developed alongside interest in the changing role of small and medium businesses. The economic success of any nation worldwide is the result of encouraging and rewarding the entrepreneurial instinct. A society is prosperous only to the degree to which it rewards and encourages entrepreneurial activities that are the critical determinant of the level of success, prosperity, growth and opportunity in any economy. Therefore base on this, this paper delve into the importance and challenges of entrepreneurship in Nigeria. The paper also proffer Strategies of Overcoming the Challenges of Entrepreneurship in Nigeria. It is recommended that government should be called upon to provide the necessary enabling environment, legislations and infrastructures that would facilitate successful entrepreneurship in the country and the established and formal private sector should be encouraged to complement government efforts by providing support through research, provision of facilities, capacity building and information centre for the utilization of entrepreneurship in Nigeria.

Keyword: Importance, Challenges, Entrepreneurship and Nigeria

INTRODUCTION

Entrepreneurship has been among the fastest growing area of economic and business interest and research all over the world. The growing interest in the area of entrepreneurship has developed alongside interest in the changing role of small business. The increasing importance is also due to some major changes in the business environment such as: harsh global as well as local competition, sudden and unexpected alteration of the demand, the acceleration of technological development and consequently, the increase of risk. Therefore, entrepreneurial behavior has become vital not only for the development but also for the survival of the business enterprises in the world (IPESA, 2012). A major characteristic of less developed countries is weak entrepreneurial base. Entrepreneurship is indispensable to modern economy. The highly developed economies of United State of America (USA), European Union, Japan etc. have their roots in entrepreneurship. Increasing entrepreneurial activities have brought in rapid invention an innovation, development of new products. The resultant effect is economic growth and development. For these reasons, majority of the state controlled economies of the defunct Soviet Union; Eastern Europe, China etc. have embraced the free market economy system with fervent encouragement for entrepreneurship. Development economies such as, Ghana and Nigeria are undertaking various reform measures that favour free enterprises (Lucky, 2011). Interestingly, there has been a global trend and clamour (especially in Nigeria) towards privatization, commercialization of public enterprises, legal reforms, ethical orientation, entrepreneurship education and finance of micro, small and medium scale enterprises which lends credence to the importance of entrepreneurship to the economic growth and sustainable economic development of a nation. Entrepreneurship has impacted tremendously on the development of modern society. The momentous growth and development of emerging economies is significantly due to increase in entrepreneurship. Many countries are enacting legislatures to remove any impediment to the development of entrepreneurship. There is also an intense competition by the government of many countries for private foreign investment. These countries are also creating enabling

environment to protect local enterprises. The significance of SMES in poverty reduction, contribution to Gross Domestic Product (GDP), crime reduction, community peace and development and wealth creation has been widely acknowledged (Maxwell, 2012). It is now obvious that, the more the entrepreneurial activities in a country, the more developed the country is likely to be.

Entrepreneurship and Entrepreneur

There are many perspectives to the definitions of entrepreneurship an entrepreneur. But for the purpose of this paper, we shall adopt the definitions of the following authorities for the concepts.

(a) Entrepreneurship

- Apata (2012) defined entrepreneurship as the process of using personal initiatives to transform a business venture or modify or diversify an existing business or enterprises with high growth and profit potentials.
- Okunwa (1999) and Fasua (2000) submitted that, entrepreneurship is the willingness and ability of an individual to seek out investment or business opportunities in an environment and be able to establish and run an enterprise successfully based on the identified opportunities.

(b) Entrepreneur

- Burns and Dewhurst (1989) defined entrepreneur as a person who perceives a business opportunity, organizes resources and assumes responsibility and risks to exploit the opportunity.
- Lucky (2011) described an entrepreneur as a person who is not just an organizer of resources for personal gains but an innovator who exploits and invention or untried technology, creates new products and new markets through continuous addition of value.

Importance of Entrepreneurship to Nigeria Economy

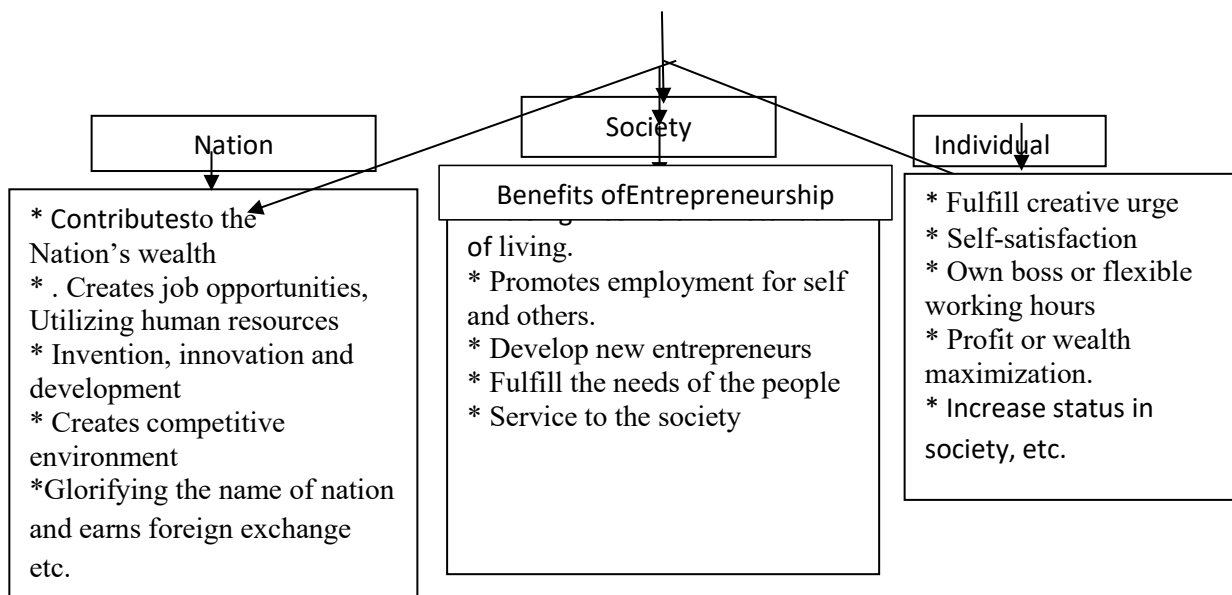
The economic success of any nation worldwide is the result of encouraging and rewarding the entrepreneurial instinct. A society is prosperous only to the degree to which it rewards and encourages entrepreneurial activities that are the critical determinant of the level of success, prosperity, growth and opportunity in any economy. Therefore, the following are the importance of entrepreneurship to the economic development of Nigeria (Lucky, 2011):

- (i) The entrepreneurial process creates values and wealth. New ventures are established through continuous innovations, more jobs are created, new techniques and skills are developed. This enhances increase in human capital development as more training and education are continuously needed.
- (ii) The creative and innovative activities of entrepreneurs are a major factor contributing to social change as well as economic growth and development. As research led to invention, to innovation and to commercialization. Through entrepreneurial efforts, value is continuously added and new products are developed with many accompanying o auxiliary goods and services.
- (iii) Entrepreneurship stimulates massive investment on the supply and demand side of the economy. Additional capital injection to finance the new venture or new product increases the production, growth and expansion – *supply side*. The resultant effect is the creation of wealth which enhances ability and willingness to spend and purchase products/service – *demand side*. The ultimate result is growth in the economy.
- (iv) Again, as many investments are made, many products are made available and many jobs are created and many people get employed. Thus, poverty is reduced and standard of living improved.
- (v) The energy, creativity and motivation of entrepreneurs trigger the production of new products/services and creation of new values, fashion, taste and preference. All these

are powerful forces of social change and development of new cultures as everybody benefits from entrepreneurial activities.

- (vi) Through dynamic entrepreneurship, positive changes have been introduced in the structure of most business organizations and the society at large. The larger organizations are becoming more flexible, giving employees and managers more autonomy and innovation. There is increasing investment in research and development, creation of demand, satisfaction of customer's needs and corporate social responsibility.

In a related development, IPESA (2012) clearly enumerated the benefits of entrepreneurship to a nation, society and individuals. These benefits are highlighted in the table below:



Source: Institute of Professional Entrepreneurs and Strategic Administrators of Nigeria (IPESA), (2012)

However, in order to derive the benefits of entrepreneurship in Nigeria, both the public and organized private sectors should take increased interest in promoting the growth and development entrepreneurship.

Challenges of Entrepreneurship in Nigeria

Despite the importance of entrepreneurship to the development of society, it faces many challenges in Nigeria. Some these challenges according to Lucky (2011) and Oloyede (2011) are as follows:

Nigeria like other developing countries is neither a capitalist nor socialist – A system of strong public ownership of the means of production co-exists with private ownership. Excessive state control creates structural problems, poor sectorial linkages and a weak private sector. This has impeded strong entrepreneurial activities in the country as many citizens rely more on public sector jobs which are easy ways of making money through fraudulent practices rather than establishing new business ventures.

Another major challenge is the harsh enabling business environment. The enabling entrepreneurial environment is impeded by poor infrastructure, energy crisis, epileptic power supply, weak institutional support, limited access to finance, corruption and inefficiency of public institutions and high interest rate etc. The consequence is increase in entrepreneurship failures.

Moreover, entrepreneurship education has not been given adequate attention in Nigeria until recently. The educational system is job-orientation which affects the attitude and zeal of school leavers towards entrepreneurship or business oriented activities.

Also, majority of youth entrepreneurs often face additional constraints of experience, collaterals and network of associates that could boost entrepreneurial activities.

In a similar vein, SMEDAN (2008) and Apata (2012) posited that, the challenges to entrepreneurship in Nigeria include among others:

- Capital inadequacy and lack of access to loans from financial institutions.
- Poor state of infrastructure i.e. power, water, roads and transport system etc.
- Lack of access to productive inputs such as, finance, expertise and workspace.
- Lack of access to Business Development services (BDP)
- Lack of sufficient government stimulus i.e. incentives, tax rebates and enabling environment etc.
- Changes in government policies affect business plans and implementations, growth and development.
- Low technological capabilities.
- Lack of right attitude by Nigerians especially, the youth.
- Bureaucratic bottlenecks created by the regulatory agencies and legislations for business and other entrepreneurial activities.

Strategies of Overcoming the Challenges of Entrepreneurship Nigeria

The following are the recommended strategies to overcome the challenges of entrepreneurship.

- Value re-orientation – instilling the right attitude on the people especially the youth on entrepreneurship and less emphasis on white-collar jobs.
- Promotion of entrepreneurship educations.
- Promotion of wellbeing (confidence and enthusiasm for work and leaning).
- Improved socio-economic infrastructures i.e. power, water and other social amenities.
- Improved access to productive resource such as: information, workspace, finance etc.
- Economic reforms with the emphasis on entrepreneurship enhanced economic opportunities and access to them.
- The newly established National Committee on Job Creation (NCJC), in 2011 should live up to expectations in helping to develop an Action Plan on job creation in Nigeria etc.

CONCLUSION

The economic realities with the attendant political and social imperative of a depressed economy necessitate the calls for accelerated entrepreneurial activities in Nigeria. Therefore, government is called upon to provide the necessary enabling environment, legislations and infrastructures that would facilitate successful entrepreneurship in the country. In addition, the established and formal private sector is encouraged to complement government efforts by providing support through research, provision of facilities, capacity building and information centre for the utilization of entrepreneurship in Nigeria.

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