Entrepreneurship Evolution and the Growth of Small Scale Businesses in Nigeria

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Abstract: Entrepreneurship is an essential variable in the growth and development of any economy. The point at which man stopped satisfying only his needs and accommodated the needs of others marked the real evolution of entrepreneurship. Entrepreneurship development has been gradually corresponding with the development of the human race and it has reinforced the emergence, proliferation and growth of small scale businesses in Nigeria. In the light of the above, this paper attempts to establish the impact of entrepreneurship evolution on the growth of small scale businesses in Nigeria by discussing the concept of entrepreneurship and its evolution in Nigeria, the concept of small scale business and efforts aimed at enhancing the growth of small scale businesses in Nigeria. The paper also x-rays the relationship between entrepreneurship evolution and the growth of small scale businesses in Nigeria. It was concluded in the paper that entrepreneurship evolution has positive correlation on the growth of small scale businesses in Nigeria.

Keywords: Entrepreneurship, Small Scale Business, Growth, Economy, Evolution, Nigeria

1. Introduction

The quest for self reliance through entrepreneurship has always been the desire of many nations. Entrepreneurship is a key driver of the economy and developmental processes. For a nation to be economically competitive, it requires increased private investment and participation. There is no doubt that Nigeria as a nation has realized the invaluable contributions that entrepreneurship through Small scale businesses can make to reduce poverty, create wealth, generate employment and enhance the development of infrastructures. The small and medium enterprises, particularly, micro businesses have been the rescue platform for the survival and sustainability of the poor, unemployed youths and women as well as being the nursery-bed of entrepreneurship development in the nation. The small scale businesses have over the time served as opportunity not only for the poor to generate their revenue but also for skills’ acquisition and application to increase productivity for local private sector expansion, thus, providing more earning opportunities for the majority of the people (70%) that are poor while increasing the income of our country [1]. It is because of this reason that past governments of Nigeria have tried to enhance small scale business sector via a range of complementary policies and programmes.

Entrepreneurship is the dynamic process of vision, change and creation. It requires application of energy and passion towards the creation and implementation of new ideas and solutions. Essential ingredients include the willingness to take calculated risks in terms of time, equity or career; the ability to formulate effective venture team; the creative skill to marshal needed resources and fundamental skill of building standard business plan. Entrepreneurship plays an important role in the development of economy of any country as it brings about structural changes in business and society. These changes promote growth and enhance production that allows more wealth to be divided by the different participants [2]. Entrepreneurs are people driven by passion to be the bosses of their own and thus transform the passion into profit-making ventures.

Entrepreneurship prospects and opportunities abound in Nigeria but the realization of these prospects and opportunities is affected by the implementation of inconsistent policies and measures at various times by the
governments. Thaddeus [3] submitted that several policy programmes that were targeted at enhancing entrepreneurship development via small and medium scale enterprises promotion, based on technology transfer strategy, have failed to attain the desired aims as it made most of local entrepreneurs agents of distribution of imported goods as opposed to capacity building of in-country entrepreneurship for manufacturing, mechanized agriculture and expert services. However, the free enterprise economic system is virtually being embraced by the whole world with the fall of the socialist economy in 1991 [4]. Entrepreneurship is the nexus of the free enterprise economic system. Entrepreneurship is an activity that entails the discovery, examination, exploration and exploitation of opportunities to bring new products [5].

Moreover, according to [6], researches conducted by UNIDO-Nigeria revealed that small scale businesses have the capacity to drive the Economy of Nigeria, and statistics shows that there are presently more than 17m small scale businesses employing more than 31m Nigerian populace. Similarly, [6] submitted that small scale businesses account for more than 80 percent of businesses that engage about 75 percent of the total labour force in Nigeria. In addition, the 2012 Global Entrepreneurship Monitor (GEM) has empirically identified Nigeria as one of the most entrepreneurial countries in the world. The study showed that 35 out of every 100 Nigerians are engaged in some kind of entrepreneurial activity or the other. It is therefore imperative at this point in time to critically evaluate not just the principles of entrepreneurship but the evolution and its crucial role in fostering economic growth of small scale businesses in Nigeria [7].

The assumption that entrepreneurship is connected to the growth and development of small and medium scale enterprises finds its premise on intuition and basic economic observation. Engagements aimed at converting ideas into business opportunities lie at the very heart of entrepreneurship. Entrepreneurship is based on innovative activities and foresightedness, and as such invokes improvements in performance or productivity and business competitiveness in the economy. Small scale enterprise is not necessarily the same thing with entrepreneurship. Certainly, small businesses are platforms for people to channel their entrepreneurial passions and ambitions. Therefore, entrepreneurship is not limited to only participants operating innovative small businesses. Nigeria’s GDP growth rate of between 6 – 8 percent in the last ten years shows the country is one of the fastest growing economies in the world. The implication is that any good business established is capable of generating unusual and above average returns. It is one of the few countries with the highest returns on investment anywhere in the world - money market, capital market, mutual funds, real estate and property, entrepreneurship [4].

What we know about entrepreneurship suggests a drastic or revolutionary change that promotes wealth creation, job opportunities. Although there is quite a lot of researches and studies on the link between entrepreneurship and economic growth and development but the real question is, what is the contribution of the evolution of entrepreneurship to the growth of Micro, Small and Medium Enterprises (MSMEs) in Nigerian?

It is against this background that the main objective of this paper was to evaluate the concepts of entrepreneurship and small scale business, to highlight the evolution of entrepreneurship in Nigeria as well as to examine the role/relationship between entrepreneurship evolution and the growth of small scale businesses in Nigeria.

2. Concept of Entrepreneurship

Entrepreneurship is an essential variable in any economy growth and development. Entrepreneurship is the willingness and ability to identify business opportunities through creativity and innovation and establishing necessary machinery to run business enterprise successfully. Adidu and Olamnnye [8] stated that entrepreneurship can be described as a process which involves the transformation of innovative and creative ideas into profitable activities especially outside an existing organization. Entrepreneurship has gained global recognition in facilitating employment generation and economic transformation. It is a veritable tool for poverty eradication and reduction of social vices.

The concept of entrepreneurship has been associated with several activities concerned with the establishment and operation of business enterprise. These activities include but not limited to identification of investment opportunities; decision-making regarding available opportunities to exploit; promoting and establishing business enterprises; aggregation of the scarce resources for production and distribution of goods and services; organization and management of human and material resources for the attainment of the objectives of the enterprise; risk bearing and innovation [9]. The effective performance of the above activities is critical to the birth, survival, and growth of the business enterprise.

As in [10], entrepreneurship is being vigorously advocated because of its potential to:

- Create jobs through the formation of new enterprises, especially small scale businesses.
- Raise productivity through various forms of innovation.
- Facilitate transfer of technology or the adaptation of existing ones.
- Harness resources that might otherwise remain idle and put them into productive use.
- Stimulate growth in those sectors which supply it with inputs.
- Reinvigorate small scale businesses and also public enterprises.
- Encourage and sustain economy dynamism that enables an economy to adjust independence and status for themselves in society.

Oborah [11] submitted that entrepreneurship is a veritable employment alternative to wage employment and panacea to graduate unemployment. According to [12], entrepreneurship
in Nigeria is characterized by small scale enterprises in all sphere of the economy ranging from agro-based to service industry and that it constitute about 97 percent of all businesses in Nigeria.

Entrepreneurship goes through stages, namely; conception of business idea, evaluating business opportunities, initial starting of the business, nurturing to the business to grow to maturity, maintaining stability of the business growth, expansion of the business and improving standard/quality to business decline. This process is exhilarating and encouraging to the entrepreneurial minds.

Evolution of Entrepreneurship in Nigeria

Entrepreneurship is as old as man. The point at which man stopped satisfying only his needs and accommodated the needs of others marked the real origin of entrepreneurship. Its development has been gradually corresponding with the development of the human race [7]. In the beginning, entrepreneurship started when people produced more products than they needed, as such, they had to exchange these surpluses. For instance, if a blacksmith produced more hoes than he needed, he exchanges the surplus he had with what he had not but needed; maybe he needed some yams or goat etc, he would look for someone who needed his products to exchange with [13]. By this way, producers came to realize that they can concentrate in their areas of production to produce more and then exchange with what they needed. So through this exchange of products, entrepreneurship started.

A typical Nigerian entrepreneur is a self made man who might be said to have strong will to succeed. He might engage the services of others like friends, mates, in-laws etc, to help him in his work or production. Through this way, Nigerians in the olden days were engaged in entrepreneurship. Nigeria was traditionally an agricultural country, providing the bulk of its own food needs and exporting a variety of agricultural goods, notably palm oil, cocoa, rubber, and groundnuts (peanuts). At this time, the place called Nigeria had entrepreneurs who had the entrepreneurial mind-set prevalent at the time. The peoples of Hausa, Ibo, Yoruba and Benin all had their own entrepreneurs (13th-19thcentury) who were exposed to entrepreneurship opportunities outside their native areas [14].

The Hausas had astute entrepreneurs who managed workers with skills in tanning, dyeing, weaving, and metalworking which were highly developed. The Hausas have long been famous for wide-ranging itinerant trading, and wealthy merchants shared the highest social positions with the politically powerful and the highly educated. In Hausa land, entrepreneurial success in Islam is not merely measured by the end result but also by the way and means of achieving them [15].

The Ibos also specialized in buying and selling of goods and have perfected their entrepreneurial expertise in inventory control, management and distribution – which up till today, has remained their prevalent way of entrepreneurship. The Yoruba are predominantly town dwellers who practiced small-scale, domestic agriculture and are well known as traders and crafts people. Since the 13th century, Yoruba artists have been producing masterpieces of woodcarving and bronze casting. Like the Ibos, the finished products were traded on as business ventures and enterprises.

As in [1], the Portuguese were the first Europeans to traverse the coast of western Africa and they were attracted to Benin City in 1486. The Oba of Benin Kingdom established trading contacts with the Portuguese and initially sold them some war captives, which the Portuguese sold as slaves (another sad reminder) to the Akan of Asante (modern Ghana) in exchange for gold. Later, Benin’s trade with Europeans in the 16th and 17th centuries was in palm oil, ivory, pepper, and textiles. Dutch traders to Benin City in the 17th century remarked about the astute entrepreneurs they met in Benin kingdom.

3. Concept of Small Scale Business

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. Oni and Dania [16] brought out four broad classification 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.

The second class 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. The 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 third 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 [17]. 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 capita and the size of population, which together determine the actual number of buyers. Small and Medium Enterprises (SMEs) involved in manufacturing industry to produce a variety of goods that can be grouped into two categories, viz-a-viz, consumer and industrial goods.

Despite the strong competition by the large enterprises, SMEs are able to survive because their products are differentiated by nature or acquisition 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 [17].

The following are the contributions small scale business enterprises make to the economic development of Nigeria according to [18]; they provide an effective means of mitigating rural urban migration and resource utilization through their wide spread, source of employment to Nigeria populace, they also retain a competitive advantage over larger enterprises by serving dispersed local markets and produce various goods with low scale economies for niche markets, provision of an effective means of stimulating indigenous entrepreneurship and producing intermediate products for use in large scale enterprises.

3.1. Efforts Aimed at Enhancing the Growth of Small Scale Business in Nigeria

The role of government in SMEs’ development in Nigeria became significant only after the Nigeria civil war (1967-70). Since the mid-1980s there has been an increased commitment of government to SMEs’ growth and development especially after the introduction of the Structural Adjustment Program (SAP) in 1986. Added to this is the establishment of the National Directorate of Employment (NDE), National Open Apprenticeship Scheme (NOAS), the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), National Poverty Eradication Programme (NAPEP), the Youth Employment Scheme (YES) among many others. All of these programmes were targeted at creating enabling environment for SMEs stability and survival. Fundamentally, the Nigerian government promotes entrepreneurial culture through initiatives that build business confidence, positive attitude, pride in success, support and encouragement of new ideas, social responsibility, providing technological supports, encouraging inter-firm linkages and promotion of research and development.

In the early 2000s, entrepreneurship studies were introduced into the Nigerian educational system especially in higher institutions as a mandatory course. The Centre for Entrepreneurship Development (CED), which has the objective of teaching and encouraging students of higher institutions (especially in science, engineering and technological (SET)) to acquire entrepreneurial, innovative, and management skills, was established. The Centre’s goal is to make the graduates self-employed, create job opportunities for others and to generate wealth [3]. In particular, evidence from the developed world indicates that economic growth is entirely due to the quality and efficiency of the SMEs sector. Thus after independence in 1960 there was the need by the government of Nigeria to promote indigenous entrepreneurs. The Government never loses sight of the tripartite relationship between entrepreneurship, SMEs and economic growth. In the past fifty years or so, the government had established various financial support institutions specially structured to provide succor and to assist SMEs to contend with some of the hurdles along their growth path. Some of these specialized institutions include the Nigerian Industrial Development Bank (NIDIB), the Nigerian Bank for Commerce and Industry (NBCI), the National Economic Reconstruction Fund (NERFUND), the Nigerian Export-Import Bank (NEXIM), the National Directorate of Employment (NDE), Industrial Development Coordinating Centre (IDCC), the Micro Finance Banks (MFB), Family Economic Advancement Programme (FEAP), the Nigerian Agricultural and Cooperative Development Bank (NACDB), the Subsidy Reinvestment Programme (SURE-P) amongst others. These support institutions and other incentives created by the government were conscious efforts by the Nigerian government aimed at improving the performance of SMEs in the country.

However, policy instability and frequent changes of government have affected the implementation of programmes by these support institutions and by extension has impacted negatively on the performance of SMEs. Other major problems which have contributed to the poor performance of SMEs include: limited access to long-term capital, high cost of even short-term financing, poor partnership spirit, dearth of requisite managerial skills and capacity, illegal levies, street urchins harassments, over-dependence on imported materials and spare parts, poor inter and intra-sectoral linkages that make it difficult for the SMEs to enjoy economies of scale production, bureaucratic bottlenecks and inefficiency in the administration of incentives that discourage rather than promote SME growth, weak demand for products arising from low and dwindling consumer purchasing power, incidence of multiplicity of regulatory agencies and taxes that have always resulted in high cost of doing business and poor corporate governance and low entrepreneurial skills arising from inadequate educational and technical background for many SME promoters [19].

3.2. Relationship Between Entrepreneurship Evolution and Growth of Small Scale Businesses in Nigeria

The relationship between entrepreneurship evolution and the growth small scale businesses is an important one. It is widely believed that entrepreneurship is beneficial for the growth and development of small scale businesses. 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 [20; 21; 22]. Entrepreneurship has been remarkably resurgent over the past three decades in countries that achieved substantial poverty reduction [23]. In the 1980s stag inflation and high unemployment caused a renewed interest in supply side economics and in factors determining growth. Simultaneously, the 1980s and 1990s have seen a revaluation of the role of small firms and a renewed attention for entrepreneurship. In fact, understanding the role of
entrepreneurship in the process of the growth of small scale businesses requires the decomposition of the concept of entrepreneurship [1]. Having considered the concepts of entrepreneurship and its evolution, and small scale business individually, ascertaining the link between the two concepts would not be unachievable.

The idea that entrepreneurship and small scale business are very closely and positively linked together has undoubtedly made its way since the early works of Schumpeter. An increase in the number of entrepreneurs leads to an increase in the growth of small scale businesses. This effect is a result of the concrete expression of their skills, and more precisely, their propensity to innovate. Schumpeter has already described this innovative activity; “the carrying out of new combinations”, by distinguishing five cases: (1) The introduction of a new good – that is, one with which consumers are not yet familiar – or of a new quality of a good. (2) The introduction of a new method of production, that is one not yet tested by experience in the branch of manufacture concerned, which need by no means be founded upon a discovery scientifically new, and can also exist in a new way of handling a commodity commercially. (3) The opening of a new market, that is, a market into which the particular branch of manufacture of the country in question has not previously entered, whether or not this market has existed before. (4) The conquest of a new source of supply of raw materials or half-manufactured goods, again irrespective of whether this source already exists or whether it has first to be created. (5) The carrying out of the new organization of any industry, like the creation of a monopoly position (for example through fructification) or the breaking up of a monopoly position” [1]. Through his innovative activity, the Schumpeterian entrepreneur seeks to create new profit opportunities. These opportunities can result from productivity increases, in which case, their relationship to entrepreneurship evolution appears quite clearly.

In terms of how entrepreneurship has been a stimulant in the growth of small scale businesses, there exist enormous discussions and debates but it is however eminent to realize the importance of constant innovations and rivalry enhancement. Understanding the role of entrepreneurship in the growth of small scale businesses will therefore require a framework because of the nature of intermediate variables and connections which exist [24]. The best examples of these intermediate variables include innovation, competition mainly characterized by exit and entry of firms, variety of supply and particular energy and efforts invested by entrepreneurs. Other conditions of entrepreneurship also add up when it comes to their contributions to the growth of small scale businesses.

Consequently, as in [25], there is a positive relationship between entrepreneurship evolution and the growth of small scale businesses while [26] entrepreneurship is increasingly being recognized as a primary engine of the growth of small scale businesses. By combining existing resources with innovative ideas, entrepreneurs add value through the commercialization of new products, the creation of new jobs, and the building of new firms. The Global Economic Monitor indicates that nations with higher levels of entrepreneurial activity enjoy strong economic growth. In short, entrepreneurship is the link between small scale business and economic growth.

Concerning the role of entrepreneurship in stimulating the growth small scale businesses, many links have been discussed. Both the role of the entrepreneur in carrying out innovations and in enhancing rivalry is important for the growth of small scale businesses. Furthermore, [23] posited that entrepreneurship will, in light of the above, contribute to growth and employment creation in advanced, emerging and least developed economies alike. This is a reasonable expectation – one that is supported by recent findings of historians, economists and management scientists. “With too many entrepreneurs, levels of aspirations in a country may rise. It is well-known that with increasing material wealth (or opportunities) people’s aspirations increase.” Entrepreneurs create jobs – and we know that unemployment is a major and significant cause of unhappiness. We also know that goods that entrepreneurs provide, such as health and experiential activities, raise happiness levels. So, the growth of small scale businesses in Nigeria is positively related to entrepreneurship evolution.

4. Conclusion

Entrepreneurship is at the “heart” of any nation. Concerning the relationship between entrepreneurship evolution and the growth of small scale businesses in Nigeria, entrepreneurship is the basic key for business growth. Most businesses 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 new products. Entrepreneurship has been found to have positive correlation on the growth of small scale businesses. Therefore, it could be concluded that entrepreneurship evolution has triggered the emergence of small scale businesses and consequently impacted on its growth and development in Nigeria.

References


