

# ENTREPRENEURIAL SUPPORT IN NIGERIA: A REVIEW PAPER

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## Abstract

*This study examined entrepreneurship in Nigeria using qualitative research approach. Historical data, past and present research findings were analysed and used in this study. To a large extent, Nigeria government have good policies and program design for entrepreneurial growth and development. The laudable program that the government design for entrepreneurs as well as small and medium scale business have not had a significant impact on the life of its citizenry. It was also gathered that this fund or skill designed for entrepreneurs was not only being offered by federal or state government alone, but individuals, companies or groups also have interest in fostering entrepreneurial activities in Nigeria. This study concluded that to have a robust economy like China, India, Indonesia, America, Germany and other developed nations, the country needs to have a strong entrepreneurial base.*

**Keywords:** Entrepreneurship, entrepreneurial behaviour, agricultural loans, bank of agriculture of Nigeria

**JEL Classification:** M10, L10

## Introduction

Entrepreneurs are people with vision and mission of creating, innovating, dominating and implementing new ideas to improve business performance. Entrepreneurial activities contribute to the continued existence and growth of business organizations (Nwachukwu et al., 2017). Oladele et al. (2015) posit that entrepreneurs manage the business risks in order to make profit. They add that an entrepreneur is different from managers because managers only plans, organises and controls a business idea that is successfully initiated by the entrepreneur. Economy measure the number of entrepreneurial activities that are taking place in a nation. A country's economy is defined by the wealth it gets from business and industry. Caree and Thurik (2008) affirmed that entrepreneurship is one of the determinants of economic growth. Entrepreneurship not only contribute to employment, poverty alleviation, political stability but also it creates innovation, strong economic competitive power, reduces inflation, creates substitute goods and services, and social stability. Social crime, communal or regional crises, that may arise as a result of idleness is reduced through entrepreneurial activities. Entrepreneurial role is no longer in the stage of profit maximizations alone but for searching and discovery of information, translating new information into new market, seeking and developing economic opportunities, evaluating economic opportunities, marshalling the financial resources in business, making use of time and chance accurately, taking ultimate responsibility for management, providing for motivational system within the firm, and providing leadership, and bearing the risk for the (business) actions (Fadahunsi, 1992). The Nigeria government in recent time has rekindled efforts to grow the economy of Nigeria into one of the foremost world's developed economies by the year 2020 otherwise tagged vision 20:20. Concerted efforts of both public and private sector of the economy are needed to realise this economic policy projects of government. For this cause to be realistic, government strategies are on-going to drive the economy aggressively through the private sector participation. The present government is seeking to use a public-private partnership to revamp the economy through partnering with foreign private investors and creating an atmosphere for indigenous business to thrive. Nigeria government is making concerted effort to get out of the

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economic recession, revitalise the ailing companies and also to fulfil the mandate of the populace who brought them in through their votes. Arguably, discouraging import and encouraging export through empowering entrepreneurs and Small and Medium Enterprises (SMEs) is vital for the country's economic recovery. Federal government Graduate Entrepreneurship Fund (GEF), mainly for serving National Youth Service Corps (NYSC) members, Cottage Agro Processing (CAD) fund for small and medium Agro Processors are some of the programmes established by the government to support entrepreneurship (BDlife, 2017). In 2016, the federal government launched Youth Entrepreneurship Support (YES) and Youth Employment in Agriculture Programme (YEAP) to empower young agricultural producers in the rural areas. The programme targets 740,000 entrepreneurs in agricultural business. Vice President Osinbajo said that the recovering plan of the federal government is focused on investing in technology and music entertainment among young people, vanguard (04/2017). Furthermore, 23,400 artisans and traders in 13 states and including the Federal Capital Territory (FCT) has benefited from soft loans under Enterprise and Empowerment Programme (GEEP) as a part of Social Investment Programmes (SIP's). The main purpose of this study is to examine the role of government in promoting entrepreneurship in Nigeria. Identify the agencies set up by the government to support entrepreneurs including SMEs and their impact on economic growth and development.

### **Material and Methods**

This paper relies heavily on historical data, past, present research findings and cases on the subject. Authors searched various databases including Google Scholar, ProQuest, and Scopus databases for peer-reviewed Journals, books, and other relevant publications on the subject. We included in our search studies conducted from 1980 to 2017 on entrepreneurship. To reduce bias, authors adopted systematic literature review process for management research as proposed by Tranfield et al. (2003). In conducting our review editorial, opinion, theoretical and qualitative and quantitative studies were included.

### **Results and Debate**

#### **Pre-Independent Entrepreneur and Government Intervention.**

The government has seen the importance of entrepreneurship as a way of growing a better and sustainable economy they decided to design some plans to strengthen the activities of individuals or firms. The earliest effort at developing indigenous entrepreneurship in Nigeria was the establishment of Nigeria Local Development Board (NLDB). The functions of (NLDB) was brought to an end in 1943 with the aim of moving their functions to Regional Development Board. Three years later, federal loan Board was established. Their aim is to provide soft loans for people doing business in their various regions. The introduction of incentives and others advisory role was to encourage the entrepreneurs. The pioneer act of (1952), Industrial Development Act (income tax relief) (1958), industrial development imports duty relief (1959), customs duties; dumped and subsidies goods Act (1958), income tax and amendment act (1959) were established to check and control the activities of entrepreneurs. During these periods for which these laws were set up, the federal government provided the economic and socio-political atmospheres for an entrepreneur to operate and increased the investment opportunities that entrepreneurs could exploit themselves.

#### **Post-Independent Entrepreneur and Government Intervention**

Immediately after the enactment of those laws that ended in 1959, the Yaba Industrial Estate was established in 1962 to serve as a nursery for entrepreneurs. The products that produced ranges from tailoring, printing, sawmilling, cabinet making, furniture, hotel and catering services and banking. By 1969, four others industrial estate (Ikeja, Iganmu, Apapa

and Ilupeju) were established. Nigeria Enterprise Promotion Decree on indigenization was promulgated in 1972 to reduce the dominance of foreigners in Nigeria businesses (Arogundade et al., 2015). In the light Nigeria Enterprise Promotion Decree, enterprises were categorised into fully owned, 60% owned and 4% owned. Due to government concern to grow the economy by exploring crude oil, limited government intervention was made available to entrepreneurs. The incentive that usually goes to entrepreneurs were diverted by desperate political office holders. This neglect transits from one government to another. Training scheme being organised to empower entrepreneurs was just for formalities for one or group of person to loot the government treasury. Business plan and feasibility study required to get the loans were submitted but the loans were never disbursed to the entrepreneurs. Moreso, the government did not see the non-oil sector to be a driving force in Nigeria economy. They rely heavily on crude oil and gas which accounts for about 90 percent of foreign exchange earned by the country while non-oil export accounts for the balance (Kelikume, 2017). Nigeria's economic decline, since 1980's has created a hostile environment that is unfavourable to entrepreneurial success, the Nigeria's lack of infrastructures limits entrepreneurial effectiveness and success. Provision of affordable quality education for all Nigerians, through the Universal Basic Education, Mass Adult Literacy programs, incentive to expand, access information and communication technology policies to support entrepreneurship as proposed by Obasanjo would have guided the growth of entrepreneurship in Nigeria (Proshare, 2012). Proshare (2012) added that, the policy even recommends partnership with national and international agencies including the United Nations Transfer of Knowledge through Expatriate Nationals Program or TOKTEN as it is commonly known. The government of Nigeria has underperformed in the area of encouraging entrepreneurs to be creative, innovative as well as encouraging them to reduce unemployment and poverty, compared with the emerging Asia countries. Thailand, Malaysia, China, India and Indonesia were far behind Nigeria in terms of GDP per capital in 1970. These countries have transformed their economies far better than Nigeria, they are also key players in the global market. Political instability, the absence of visionary leadership, mismanagement of public funds, corruption, and absence of merit system, the prolonged period of military rule stifled economic, social progress and the growth of entrepreneurship particularly in the three decades of the 1970s to 1999. During these years, country's resources were plundered and looted by political office holders. Social values were debased, and unemployment rose astronomically with concomitant increase in crime rate (Kelikume, 2017). Since 1999, Nigeria economic growth has increased with 74 Percent in the last decades with annual average, but this does not reflect the major economic transformation that Nigerians are yearning for in term of information technological development, communication system, creations of jobs, entrepreneurial empowerment scheme, poverty alleviation among others. Nigeria government did not deem it necessary to grow the economy by supporting entrepreneurship until the fall of crude oil price at the international market. The fall of crude oil price and massive looting of resources threw the country into economic recession. It appears that discovering of crude oil has turn out to be a cause instead of being a blessing to our economy. The focus of the government is how to recover from the economic recession. The government has set up an economic plan that should put the country's economy on the path of recovery. The effort has been geared into agriculture, entrepreneurs and small and medium scale enterprises SMEs to revamp the economy that would have been developed during the period of the oil boom.

#### **Government schemes for entrepreneurs.**

BDlife (2017) said Bank of industry has a number of funds that entrepreneurs of all levels can access, firstly the Graduate entrepreneurship fund (GEF), which is meant for serving members of the national youth service corps (NYSC). Applicants are allowed to submit their business plans,

ideas which are reviewed by a team of experts. The NYSC members that have good ideas will be selected and trained for four weeks. Successful applicants can get between ₦500,000 and ₦2 million as loan to start their business. There are also the Cottage Agro Processor (CAP) funds for small and medium agro-processor. Players in the movie industry can get Nolly fund, as well as fashion fund for designers and others players in the value chain. Lagos state which is the Centre for entrepreneurial businesses and SMEs earmarked ₦25 billion to support micro, and small business under micro businesses. Entrepreneurs can access up to ₦500,000 loans while small business can access up to ₦5 million with 5% interest and tenor of one year and 5% interest rate and a tenor of 3 years respectively. Femi Egbesola, National President, Association of Small Business Owners (ASBON), in start-up digest affirms that there are various funds available for business owners like government social intervention fund, Lagos State Employment Trust Fund and Bank of Industry micro-lending fund. Social Intervention fund FG, a total of ₦6 billion was allocated under the social intervention fund in the 2017 budget. The criteria for accessing the fund is membership of a business organisation. The fund is for artisans and owners of micro businesses. The artisans or business owners can only access a maximum of ₦100,000 at three percent rate on a year tenor. According to Premium time (March 17, 2016), the present administration, through the Bank of Industry, formally launched N10 Billion Youth Entrepreneurship Support (YES) project to empower youth with loans to start a business. The goal of YES is to create about 36,000 jobs annually. In its determination to reduce the level of youth unemployment, the federal government has plans to empower 740,000 market-oriented young agricultural producers in rural areas under Youth Employment in Agriculture Programme (YEAP) (Mohammed, 2016). This was made known in one-day stakeholders workshop on (YEAP) in Abuja through the Permanent Secretary Federal Ministry of Agriculture and Rural Development Dr Shehu Ahmed in a Keynote address who was represented by Director, Animal Production and Husbandry Services Dr. (Mrs.) Egejuru Eze. YEAP aims to develop and support additional 18,500 university graduates who would be formed into young agribusiness entrepreneurs called "Nagropreneur" that would develop business along the entire agricultural value chain ranging from the farm storage, processing, value addition, marketing services and logistics.

### **Accessing of government loans and grants in Nigeria**

Nigeria loans and grants can be accessed depending on the source that is applicable to the applicants. Arguably, to encourage citizens to participate in farming and agricultural practices government should give loans and grants. The federal government of Nigeria have set up different schemes and programs to provide funds for the development of the agricultural sector and to encourage farmers and investors to embrace agriculture. The loans and grants are meant to support both large and small-scale farmers.

These loans cover a range of agricultural practices including crop cultivation and livestock rearing. There are a number of sources to access agricultural loans. Some of them include:

1. (CBN) Central Bank of Nigeria agricultural loan to farmers in Nigeria.
2. Bank of agriculture loan

#### **1. CBN Agricultural Loan:**

This loan scheme was set up by the federal government to provide low-interest loans to farmers in Nigeria. In light of this, the Central Bank of Nigeria (CBN) has recently approved the disbursement of about 75 billion naira as loans for farmers and cooperative societies in the 36 state and the federal capital territory (FCT). This loan can be accessed directly from the Bank of Agriculture.

#### **2. Bank of Agriculture (BOA) Loan**

The Bank of Agriculture of Nigeria is the major avenue the government has employed to disburse loans and grant for agricultural purpose to the public. The bank is owned by the federal government with the Central Bank of Nigeria and federal ministry of finance

incorporated as shareholders. The activity of the bank is checked by the Federal Ministry of Agriculture and rural development. When thinking of government loans, the BOA should be the first choice.

- You must have maintained a minimum customer account relationship.
- You must have deposited at least 20% of the required loan account into the account.
- You must provide collateral, excluding land
- You must provide a detailed business plan
- Further details about BOA loans are available on the BOA website.

### **3. Agricultural Co-operative Societies**

The easiest and surest of securing agricultural loans is through cooperatives societies credits are given to these societies come as grants. Generally, the banks provide the grant to cooperative societies who then distribute it to each member on the basis of contributory payment.

Some of the popular agricultural cooperatives that you can join to access loans are Farmers Association of Nigeria (AFAN), Youth Empowerment in Agriculture Program (YEAP), and FADAMA.

Requirement to Access Government loans and grants from banks by cooperative societies are:

- ✓ Forming a cooperative society
- ✓ Submission of loan request with the co-operative letterhead to the bank
- ✓ The application must be duly signed by persons or parties involved.
- ✓ A well-articulated business plan must draft and submitted.

### **Banks of Industry (BOI)**

The federal government in the giant stride has partnered with the commercial Bank through the bank of industries to assist both farmers and artisans get loans. Some of this commercial banks. United Bank for Africa (UBA), Zenith Bank, and Stanbic IBTC among others.

Commercial banks also give loans to individual and cooperatives for agricultural purposes and other businesses. Commercial banks give short, medium and long-term loans. The acceptable requirement of all includes.

- Open an account with the bank
- Submit a loan application
- Deposit at least 10% of the total sum loan applied
- Provide collateral security for the bank
- Submit a business plan with feasibility study

### **Consideration for setting up modern entrepreneurs**

- ✓ Business Registration: Engaging in a meaningful venture must be registered, which is the most important step in establishing a business. The types of business organisational structure selected by entrepreneur will depend certainly on funding, budgeting, taxation and workforce. The Corporate Affairs Commission of Nigeria, established 1990 is charged with the responsibility of business registration.
- ✓ Domain Name: Entrepreneur business must have a name or a means of identification. The major legal consideration to have when choosing a domain name is to ensure that your name is not already in use by another person because the Nigeria cybercrime act 2015 makes it a punishable offence for anyone to intentionally register a domain name that is already been used by another person.
- ✓ Creating and development website: An internet link, need to be created and developed for the purpose of knowing what the entrepreneur do or practice. An e-commerce business would typically require that you develop and maintain a website. Firstly, develop it by yourself, ensuring that images, logos and design used in

developing your website are not already owned by another person. Secondly, if one hire a professional web developer, there is need to sign a contract with the web developer that would spell out the intellectual property rights and obligation. This is important to prevent exposure to liabilities and preventing the web developer or a third party from leveraging on insider information about your business idea obtained while developing your website.

- ✓ Data Privacy: As an e-commerce entrepreneur, a good part of your business transaction would require that your customers disclose sensitive private information about themselves over the internet. The NIIDA Draft Guideline Data Protection and the Nigeria Cyber Crime Act, 2015 contains rules and regulations that an e-commerce outfit should follow.
- ✓ Credit Card Transaction: It is common practice for online business owners to integrate a payment gateway on their websites through which customers pay for goods and services rendered online stocking image. It is essential that thorough investigation is conducted to ensure that merchant account chosen is in line with the Payment Card Industry Security Standard Council (PCI-SSC) guidelines.
- ✓ Trademark: Of all Entrepreneur must have trademarks that represent a means of identification. Trademarks are images, logos, pictures, names, signs, designs, colours, sounds and jingles etc. which distinguish your product or service from others.
- ✓ Tax consideration: Entrepreneur must have it in mind, that tax is a responsibility of the business owner to exercise. The law on taxation in Nigeria requires that businesses in Nigeria or that derive income from Nigeria are liable to pay tax.

### *Conclusion*

Entrepreneurs have been viewed as persons with capacity that turns things around through innovation, creativity, time, money and any other resource that is available to them. This study noted that government at various dispensation has disbursed more money towards empowering individuals at all levels which includes market women, artisans, entrepreneur, small and medium scale ventures though, the impact of such funds disbursed has not been felt. There seems to be no correlation between the number of funds disbursed and economic growth in Nigeria. The various agencies that were set up like Federal Government Graduate Entrepreneurship Fund (GEF), National Youth Service Corps Scheme (NYSC), College Agro Processing (CAP), Youth Entrepreneurship Support (YES), Youth Empowerment in Agriculture Programme (YEAP) e.t.c have made little or no impact. A huge amount of money spent and budgeted for, don't get to entrepreneurs. The questions that keep begging for answers is where are all the monies disbursed and who are the beneficiaries of the funds. Even private sector funds such as Dangote and Elumelu fund were not effectively disbursed to worthy entrepreneurs.

### **Recommendations**

Government at all levels should make this fund available not only to entrepreneurs but for micro businesses, small and medium scale business. All these programs that were established for funding entrepreneurs should not be made to look like invisible bodies of government, whose activities are only heard on print and electronic media but in reality, they are not fulfilling the mandate for which they were established. The government should create enabling environment for business to thrive by ensuring political stability, violence-free, tackling hijackers of entrepreneurs funds and corruption. The agencies established to investigate and prosecute corrupt government officials should be strengthened and given free hand to do their work. Government as well as lawmaker, should make policies and laws that will encourage entrepreneurs and enhance SMEs potentials. This will encourage the youth to

get involved in legitimate business thereby shun social vices. Finally, to have a robust economy like China, India, Indonesia, America, Germany and other developed nations, the country needs to have a strong entrepreneurial base.

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