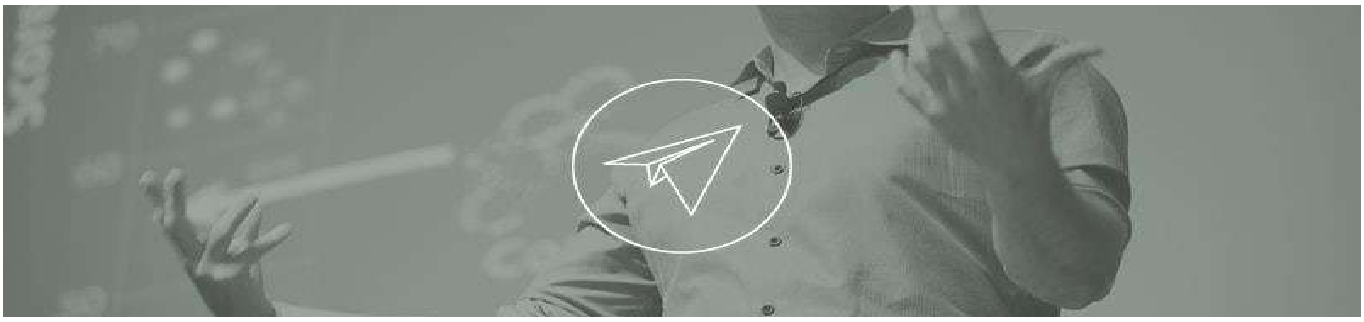
LEVERAGING ENTREPRENEURSHIP DEVELOPMENT FOR NIGERIA ECONOMIC DIVERSIFICATION: *The role of selected government agencies*



Original Research Article

ISSN : 2456-1045 (Online)
(ICV-BM/Impact Value): 3.08
(GIF) Impact Factor: 2.174
Copyright@IJF 2017
Journal Code: ARJMD/BM/V-16.0/I-1/C-4/AUG-2017
Category : BUSINESS MANAGEMENT
Volume : 16.0 / Chapter- IV / Issue -1 (AUGUST)
Website: www.journalresearchijf.com
Received: 27.07.2017
Accepted: 05.08.2017
Date of Publication: 15-09-2017
Page: 24-29

Name of the Author:

JOEL, AUGUSTUS-DADDIE [1], JONAH, CHARLES TAMBARI[2], BOMA, ABBEY-KALIO[3]

[1]*Department of Business Administration & Management Ken Saro-Wiwa Polytechnic, Bori, Rivers State,(NIGERIA)*

[2]*Department of Management, Faculty of Management Sciences University of Portharcourt, Rivers State,(NIGERIA)*

[3]*Department of Business Administration & Management Ken Saro-Wiwa Polytechnic, Bori, Rivers State,(NIGERIA)*

Citation of the Article

Joel A.D; Jonah C.T & Boma A.K (2017). Leveraging entrepreneurship development for Nigeria economic diversification: the role of selected government agencies; Advance Research Journal of Multidisciplinary Discoveries. 16.0,C-4 (2017):24-29,ISSN-2456-1045.

http://www.journalresearchijf.com

ABSTRACT

This paper focused on The Role of Nigerian Government in Encouraging Entrepreneurship Development for Nigeria Economic Diversification. The study took a descriptive survey and its population was drawn from 50 identified YouWin project winners and 24 senior staff of National Directorate of Employment and Small and Medium Enterprise Development Agency of Nigeria, Owerri area offices making a total of 74. Taro Yamene was used to select a sample of 63 respondents from the population and the data gathered through the questionnaire was analyzed and hypotheses tested using the non-parametric one sample Wilcoxon sign test (W) with the aid of statistical package for social sciences (SPSS 20.0 Version). The study concludes that while government is investing in diverse sectors, it is important that requisite economic skill be developed and entrenched among the citizenry through entrepreneurship development. The paper therefore recommended that Government provision of skill acquisition should be made more professional and specialized to reflect critical industry needs. This will ensure the inclusion of Nigerians in critical industries that drives the economy, there should be a deliberate and conscientious effort at promoting local SMEs through government patronage and that Government should as a matter of urgency bridge infrastructural gap especially power supply to ensure that entrepreneurs in Nigeria manufacture their products at a competitive rate.

I. INTRODUCTION

In Nigeria today, it has become a sing-song for politicians to anchor campaigns on economic diversification, public policy analyst and economic experts are also sounding deafening warning on the negative consequences of not diversifying the economy from its current mono-product driven economy. However, it does appear that the leadership of the nation since the inception of the discovery of oil in a commercial quantity is either completely averse of diversification or they do not know the right step to adopt to achieve that as little or nothing points to their commitment to the said course.

Furthermore, the Nigerian government over the years has been struggling with the burden of high rate of youth and graduate unemployment. This has grown to an alarming rate that it is now regarded as a "time bomb" waiting to explode. While the youths keep strolling the street in search of the unavailable white collar job, government appears to have failed in the area of unlocking the job potential of the Nigerian economy through diversification. As the world economy is fast becoming knowledge driven, economies that must attain sustainable growth and development are the ones that are building knowledge-based human capital; it has therefore become expedient for Nigerian government to look beyond oil and other solid minerals to "Entrepreneurship Development" as a viable alternative platform for economic diversification.

Statement of the Problem

The Nigerian economy of today is suffering from recession. This economic and social analyst has associated mainly with the nation's over-dependence on oil, hence the glut in the international price of oil has brought about a crash in major economic indicators. Worst still, the manufacturing capacity of the country is operating far below capacity as a result of over dependence on and consumption of foreign made goods. This has sky-rocketed inflation and brought the value of naira to its knees. To this end, government effort at reviving the economy has always met a wall of economic resistance because there is a high rate of unemployment which creates social and security challenges on the nation's oil industry. This paper seeks to evaluate the impact of government role on economic diversification through entrepreneurship development.

Objectives of the study

The central objective of this study is to examine the role of Nigerian government in encouraging entrepreneurship development for Nigeria economic diversification. Its specific objectives include.

i. To examine the contributions of government skill acquisition programmes on citizens empowerment.

ii. Examine the role of government SMEs funding practices on new SMEs sustainability

Research Questions

The following questions shall serve as a guide to this study.

i. What are the contributions of government skill acquisition programmes to citizen's empowerment?

ii. What are the roles of government SMEs funding practices on new SMEs sustainability?

Hypotheses

The following hypotheses shall be tested in this study
H01: government skill acquisition programmes do not make significant contribution to citizens' empowerment
H02: government SMEs funding practices do not play significant role on new SMEs sustainability

II. REVIEW OF RELATED LITERATURE

Entrepreneurship Development

The word entrepreneur according to Wickham (2004) has been into existence for decade, often used extensively in everyday conversation and as a common term in the field of management and Economics. According to the author, entrepreneurship was originated in France during the seventeenth century. In Nigeria, Entrepreneurship development existed even before the coming of the colonial masters; most people in the rural and urban communities have started transacting businesses and maximizing profit in their own little ways without calling it entrepreneurship. For instance, the Goldsmith who stores people valuables and engages in exchange of goods and services was a typical entrepreneur (Onwuka & Ile Chika, 2006). Again, our forefathers who were doing subsistence farming and later diversified into Craft trade to produce goods and services to satisfy their various needs were also into entrepreneurship without knowing it. Therefore, this stage of entrepreneurial development process is called 'old era' or 'trade by barter system'.

Government Role in Development of Entrepreneurship in Nigeria

Nigerian's first effort towards promotion of entrepreneurship development started in 1961 with the establishment of the first Industrial Development Centre (IDC) in Owerri, Nigeria. The focus on SMEs establishment is based on the fact that it is a key factor and engine for growth of any economy particularly developing economies. Sequel to this, government objective in the economic recovery process especially during the periods of 1999 – 2003 has taken bold steps towards initiating and implementing a number of policy measures, these programs include;

- World Bank SMEs 1 and 2 Loan Scheme
- National Economic Reconstruction Fund (NERFUND)
- Peoples and Community Bank
- Nigerian Bank of Commerce and Industry (NBCI)
- Export Processing Zone (EPZ)
- Manufacture In-Board Scheme (MIBS)
- National Poverty Eradication
- Advisory Agencies
- Micro finance
- National Directorate of employment (NDE)
- Small and Medium Enterprises Development Agency of Nigeria (SMEDAN)
- Family Economic Advancement Program (FEAP)

Others have been set aside to improve the constraints and problems of SMEs to enable them play their expected role in Nigerian's industrialization process and overall economic development. One of these objectives is; to create employment opportunities and sustainable livelihood, promote rural development and dispersal of industry, achieve self-sufficiency in intermediate and consumer goods, and modernize traditional industry and crafts (Oghojafor, Okonji, Olayemi & Okolie, 2011).

Apart from that, another objective of entrepreneurship development is to reduce rural urban migration in search of 'white-collar' job which has resulted in congestion, high incidence of crime et cetera (Oghojafor, Kuye, Sulaimon & Okonji, 2009). The authors also noted that the following factors include; development of local technological based, conservation of foreign exchange, improved living standard and stimulation of indigenous entrepreneurship are another motive of SMEs development in Nigeria.

In the most recent past, the Nigerian government led by Goodluck Ebele Jonathan established the Youth in enterprise project (YouWIN) under the coordination of the then minister of finance and coordinating minister of the economy Mrs. Ngozi Okonjo Iweala with the aim of supporting youths with business ideas that can generate employment to drive the ideas to reality by offering them interest free loan. This project is very strategic to entrepreneurship development as fund was made available only to youths whose business plan reflects a distinct innovative idea.

Economic Diversification

An emerging trend suggests that in the last years the economy has been growing without job creation and poverty reduction. Expectedly, attention of scholars had shifted towards non-oil export as a remedial for this quagmire. Our major concern (Onodugo, 2013) with the Nigeria's 'oil dependent economy' is this issue of economic growth without, at least non-proportionate increase, in job creation and poverty reduction. Bawa and Mohammed (2007) and Baridam (2008) also share the same worry in terms of benefit returns. The ready explanation to this economic paradox is that the oil sector that produces about 80% of export earnings is in the hands of less than one percent of the Nigerian population. Expatriates and members of the political class who control production and the proceeds, respectively, dominate it. Worse still, the sector is disconnected from other tiers and sectors of the economy and thus offers little or no linkage and multiplier effect to the economy as a whole. This is why the local-content approach of Goodluck Jonathan administration should be applauded, if it would be driven with sincerity. The statistics from the nation's finance ministry, according to Ojiabor (2014) (in Williams reports, 2014), shows that oil constitutes between 80 per cent to 87 per cent of revenue and 95 per cent of our export earnings. This can be a blessing or a curse because it provides a large revenue stream in good times but also puts the country at the mercy of cyclical prices at burst times. Drop in oil prices has the potential of leaving the government with the choice between spending cuts, affecting public infrastructure or a damaging deficit – a fact that must be taken serious.

The good news is that oil can be used to reduce a country's dependence on oil. By investing energy profits in projects in the downstream oil sector and manufacturing, it is possible to diversify sources of revenue and break oil's dominance of the economy. "Even more importantly, investing in strong and successful manufacturing industries stops Nigeria from exporting valuable resources overseas when they can be turned into something more precious at home while providing jobs for Nigerians at the same time – multiplying the benefit to the national economy" (Ojiabor, 2014). It is important to note that Nigeria's natural resources are not limited to minerals. By adopting a development model that capitalises on all of Nigeria's assets, which include (but not limited to) agricultural resources, vast energy reserves, a large labour force, and a huge local customer base – the country can be 'self-sufficient' and prosperous. Asu (2013) quotes Femi Adesina, as saying that Nigeria needed to envision and evolve a nation beyond oil or it could 'perish'. "Nigeria must now diversify, or die. For well over four decades, we have run a mono-product economy." This argument agrees with our worry that Nigeria has allowed the easy money from oil to strangulate other 'cash cows' like agriculture, solid minerals, tourism and many others, leaving our economy susceptible and volatile. A diversification effort that is commitment – driven, focused and targeted becomes in dispensable.

Determinants of Economic Diversification

There are various factors that contribute to the effective functioning of economic diversification within states. For the purposes of the thesis the ones that would be discussed are governance, the private sector, natural resources and the broader international framework. Good governance and the private sector are argued to be pre-requisites in building an environment that encourages economic diversification. This is because good governance involves designing and implementing policies that boost peripheral sectors which ensures that the sectors be developed in a climate that allows them to effectively contribute more to the national economy. In a regional context, there should be efficient cooperation among varying policy makers and stakeholders in the regional and global economic environment. This grouping is categorized as 'executive drivers' and they are important for diversification because of their impact on the economic management of resources. Also, contrary to the position of neoliberal economists, the government plays an important role in establishing the supervisory framework that supports economic activity ensuring a healthy business climate. The private sector is argued to drive innovation and economic activity in under-used sectors. As a result governments are advised to find means of increasing entrepreneurship through the creation of favourable policies and eliminating bureaucratic obstacles to starting businesses. This means that they need to be sensitive to the requirements of the privates sector via constructive partnerships with the private sector and the private sector should reciprocate this by engaging government initiatives and taking the lead in driving the agenda for diversifying the economy. (Diarra, Gurria & Mayaki 2011) Additionally, Gelb (2010) proposes is that institutional quality appears to have a close relationship with the capability of economies to produce revenue. Hence, resource economies, like many within the developing world, with strong institutions have greater options available to them for diversification as opposed to those with weaker institutions.

In relation to natural resources, the potential of this factor to increase the potential for economic diversification is often unrealized because of limited government management of natural resources and a failure to use the profits from resource utilization to further economic activities. This is seen especially in countries where there are inferior institutions and poor cooperation. Developing states including LDCs have been argued to be traditionally driven by exports of agricultural goods and primary commodities. However, countries dependent on these few commodities for their revenue are, according to development economists, vulnerable to boons and bust cycles as the prices of the exported commodities become subject to wide fluctuations. However, if accompanied by policies that encourage diversification through trade, natural resources can provide improved opportunities for LDCs to produce and trade a variety of goods regionally and internationally (Mehlum, Moene, Torvik, 2006).

Within the international context there are many features that are of increasing relevance and that offers the prospect of an environment that leads to economic diversification. North-South and South-South partnerships are especially important for improved diversification but these partnerships are often hindered by market access issues and the ability to effectively use international business opportunities, which would be discussed in greater detail in the following section.

Hindrances to Economic Diversification

Economic diversification can be beneficial to developing countries (LDCs being no exception). However there are hindrances that obstruct its incorporation and efficiency. According to Diarra et al (2011) a hindrance for economic diversification in the developing world is how to prevent instances of 'overspecialization'. This is a situation where some countries develop systems and procedures for some specific area of the economy but find it difficult to transfer this expertise to others sectors or even related activities. Furthermore, with limited credit from foreign investment, policy makers are often times prevented from investing in new sectors leading to the further concentration of economic activity. Additionally there are significant trade barriers that exist and firms from developing states may not be able to compete against their counterparts in the global market. This is presumably because of limited access to finance, administrative obstructions, weak production capabilities including many other factors that reduce both their ability to diversify and be more competitive. (Ramacharan 2005) .

From a political perspective, the challenge that policy makers face according to Ahmadov (2012), is that of identifying and taking into consideration the policy limits involved in diversification. This means that policymakers have not sufficiently grasped the reality that focusing on one sector or resource that shows potential for diversification would not promote effective growth in the long run especially within the diversification model. This is due to the fact that although governments in the developing world have the policy instruments needed to initiate structural change as well as the diversification process; it is choosing the right instruments that determine the success of economic diversification in the long run. As a result Gelb is quoted as stating “It is often politically easier to introduce some new program rather than address long-standing obstacles to business and the vested interests behind them.” (Gelb, 2010) .

Alan Gelb returns to the discussion by pointing out the increasing risk of policy makers’ moving their attention from their states’ critical macroeconomic and political factors that have the potential of hindering the overall development of the economic diversification model towards conceptualizing it an a very abstract manner, taking it at face value without striving for initiatives that can tailor the process in ways that best fits the criteria for their individual country’s economic development. Hence what Esanov propose and which is used in regions like Eastern Europe is the improvement of the general business environment instead of one aspect within it. (Esanov, 2010) .

Finally, though not in any way the last hindrance to the global incorporation of economic diversification, is the fact that ineffective policies regarding economic development are still being held and used by policy makers especially within export oriented, resource rich countries. The presumed cause for this is the lack of pressure by both citizens and international institutions that have economic ties to these regions to have them altered or rendered obsolete by policy makers.

Strategies of Economic Diversification

With the reconstruction of the global economy windows of opportunity for renewed industrial effort have been opened and development economists are keenly looking at how developing states especially less developed countries (LDCs) like Nigeria are going to make use of their new opportunities as previous strategies have not been effectual in the development of their economies. Advocates of economic diversification are noting that diversification cannot be achieved with a blueprint approach. As a result a strategic, tailor-made mix of capacity building and private sector development is needed to boost development in developing states. New Industrial Policy (NIP) -defined as official policies regarding the direction of economic activity to certain areas of a nation’s economy- proposed by Asche et al, can presumably provide a platform for the specific design of these initiatives. This is because it can address coordination problems, which is one of the factors that hinders development in developing states and which, according to the authors, will not be resolved by current economic development policies and good investment climates alone. (Asche, Neuerburg, & Menegatti 2012).

NIPs are not neutral and involve the direct allocation of resources to particular activities along with the promoting of promising industries while boosting or easing the fall of declining industries. Additionally advocates of NIP stress the significance of factors such as the problems of infant industry survival, information and knowledge externalities and coordination failures in inter-industrial input delivery. These are factors which dominant market-liberal policies pay limited attention to but which NIP views as opportunities for coordination and support. These types of systems differ from other development strategies because instead of remaining ambiguous and abstract, they are very specific regarding issues such as conflicting economic targets, and creating dialogue between the government and other actors in society. Furthermore, this policy begins with striking a proper balance between different goals and establishing it prior to implementation. (Ciuriak & Curtis 2013) .

Regional integration is another important strategy for facilitating trade, commerce and economic diversification. The strategy involves the reformation of customs administrative systems so that it is easier for entrepreneurs to transport their goods. From this strategy come SDIs which arguably aim to promote growth through the increased diversity of national economies where they are located and stimulate cross border economic activity and regional economic integration. Although the authors identified challenges that can undermine this strategy’s potential as a catalyst for regional integration and economic diversification such as the lack of political will, limited comprehension mechanisms which is essential for effective diversification as pointed out in earlier sections and poor government structures, they believe that much can be gained through the harmonizing of national enterprises relevant to diversification with the regional structures and priorities of Regional Economic Communities (Diarra, Gurria & Mayaki 2011) .

The above discussions show that it is not the economic diversification model that is inherently problematic but the approach policy makers use in addressing it. Thus the objective of the following section is to show the debates surrounding whether greater economic diversification can be developed through the avenue of the tourism industry.

III. METHODOLOGY

This study took a descriptive survey and its population was drawn from 50 identified YouWin project winners and 24 senior staff of National Directorate of Employment and Small and Medium Enterprise Development Agency of Nigeria, Owerri area offices making a total of 74. Taro Yamene was used to select a sample of 63 respondents from the population and the data gathered through the questionnaire was analyzed and hypotheses tested using the non-parametric one sample Wilcoxon sign test (W) with the aid of statistical package for social sciences (SPSS 20.0 Version). The non-parametric one sample Wilcoxon test is given as; UXY =W2−n2 (n2+1)/2.

IV. RESULTS

The results obtained from the data gathered are presented below
SPSS OUTPUT FOR HYPOTHESIS ONE

Descriptive Statistics					
	N	**Mean**	**Std. Deviation**	**Minimum**	**Maximum**
VAR00001	10	12.6000	7.22957	.00	25.00
VAR00002	10	3.0000	1.49071	1.00	5.00

Wilcoxon Signed Ranks Test

Ranks				
		N	**Mean Rank**	**Sum of Ranks**
VAR00002 - VAR00001	Negative Ranks	9[a]	6.00	54.00
	Positive Ranks	1[b]	1.00	1.00
	Ties	0[c]		
	Total	10		

a. VAR00002 < VAR00001
b. VAR00002 > VAR00001
c. VAR00002 = VAR00001

Test Statistics[a]	
	VAR00002 - VAR00001
Z	-2.703[b]
Asymp. Sig. (2-tailed)	.007

a. Wilcoxon Signed Ranks Test
b. Based on positive ranks.

The result obtained above shows that the value Assymp. Sig is lesser than the level of significance (i.e 0.05>0.007), we therefore reject the null hypothesis and conclude that the skill acquisition programmes promoted and sponsored by government has helped to enhance the entrepreneurship capability of the citizens thereby impacting significantly on their economy

SPSS OUTPUT FOR HYPOTHESIS ONE

Descriptive Statistics					
	N	**Mean**	**Std. Deviation**	**Minimum**	**Maximum**
VAR00001	10	12.6000	8.56608	.00	25.00
VAR00002	10	3.0000	1.49071	1.00	5.00

Wilcoxon Signed Ranks Test

Ranks				
		N	**Mean Rank**	**Sum of Ranks**
VAR00002 - VAR00001	Negative Ranks	8[a]	6.50	52.00
	Positive Ranks	2[b]	1.50	3.00
	Ties	0[c]		
	Total	10		

a. VAR00002 < VAR00001
b. VAR00002 > VAR00001
c. VAR00002 = VAR00001

Test Statistics[a]	
	VAR00002 - VAR00001
Z	-2.501[b]
Asymp. Sig. (2-tailed)	.012

a. Wilcoxon Signed Ranks Test
b. Based on positive ranks.

The result obtained above shows that the value Assymp. Sig is lesser than the level of significance (i.e 0.05>0.012), we therefore reject the null hypothesis and conclude that the government funding practices of SMEs helps to promote entrepreneurship development which in turn impact significantly on economic growth and development.

V. CONCLUSION

The need for economic diversification in Nigeria has become indispensable and over stretched. This study concludes that while government is investing in diverse sectors, it is important that requisite economic skill be developed and entrenched among the citizenry through entrepreneurship development. The paper therefore recommends that;

i. Government provision of skill acquisition should be made more professional and specialized to reflect critical industry needs. This will ensure the inclusion of Nigerians in critical industries that drives the economy.

ii. There should be a deliberate and conscientious effort at promoting local SMEs through government patronage.

iii. Government should as a matter of urgency bridge infrastructural gap especially power supply to ensure that entrepreneurs in Nigeria manufacture their products at a competitive rate.

REFERENCES

[1] **Ahmadov, A. (2012).** Political determinants of economic diversification in natural resource-rich developing countries. Manuscript submitted for publication, Political Science, Princeton University, Retrieved from http://www.princeton.edu/~pcglobal/conferences/GLF/ahmadov.pdf

[2] **Asche, Helmut, Neuerburg, Philipp, & Menegatti, Matteo. (2012).** Economic diversification strategies: A key driver in Africa's new industrial revolution. United Nations Industrial Development

[3] **Asu, F. (2013).** Diversifying Nigeria's oil-dominated economic portfolio, http://businessdayonline.com

[4] **Baridam, D. M. (2008).** Research Methods in Administrative Sciences 3rd edition, Port Harcourt: Sherbrooke Associates.

[5] **Bawa, S. & Mohammed, J. A. (2007).** Natural Resource Abundance and Economic Growth in Nigeria. Central Bank of Nigeria Economic Review, 45

[6] **Ciuirak, Dan and John Curtis. (2013).**The Resurgence of Industrial Policy and What It Means for Canada." IRPP Insight 2, http://www.irpp.org/assets/research/competitiveness/industrial-policy/Ciuriack-Curtis-no2.pd organization

[7] **Diarra, C. S., Gurria, A. & Mayaki, I. (2011).** Economic diversification in Africa: a review of selected countries. OECD, United Nations, Retrieved from http://www.un.org/africa/osaa/reports/economic_diversification_africa_2011Jan.pdf

[8] **Esanov, A. (2010).** Economic diversification: dynamics, determinants and policy implications. Revenue Watch Institute, Retrieved from http://www.revenuewatch.org/sites/default/files/RWI_Economic_Diversification.pdf

[9] **Gelb, Alan. (2010).** Economic Diversification in Resource Rich Countries." IMF: Center for Global Development.: n. page. Web. <http://www.imf.org/external/np/seminars/eng/2010/afrfin/pdf/Gelb2.pdf>.

[10] **Mehlum, H., Karl M, and Ragnar T. (2006).** Institutions and the resource curse. Economic Journal 116

[11] **Oghojafor, B. E. A., Okonji, P. S., Olayemi, O. O., Okolie, J. U. (2011).** Fifty Years of Entrepreneurship Development in Nigeria: Challenges and Prospect. 10th International Entrepreneurship Forum, Tamkeen Bahrain

[12] **Oghojafor, O. I., Kuye, A. I. and Ohunji, P. S. (2009).** Empowering Nigerian Youths for National Development: The Role of Entrepreneurship Education. Journal of Research in National Development Vol 7, 2

[13] **Ojiabor, F. (2014).** Oil and the Diversification of Nigeria's Economy, Around Nigeria, www.publicaffairs.gov.ng

[14] **Onodugo,V.A (2013).** Can Private Sectors Facilitate Economic Growth and Realization of MDG in Developing Countries? Evidence from Nigeria, African Journal of Social Sciences, Vol 3, No 1,

[15] **Onwuka, E. M., & Chika, I.M. (2006).** Entrepreneurship Development: Conceptual, Theoretical and Practical Framework, Anambra, Nigeria: Jossy Printing Press.

[16] **Ramcharan, R. (2005).** How big are the benefits of economic diversification? Evidence from earthquakes. International Monetary Fund, 05(48), Retrieved from http://www.imf.org/external/pubs/ft/wp/2005/wp0548.pdf

[17] **Wickham, P. A. (2004).** Strategic Entrepreneurship (3rd ed.). England, United Kingdom: Pearson Education Limited.

*****