10-17-2016

On Being an Entrepreneur: the Nigerian Perspective

Olayinka K. Binuomoyo
Nigeria

Follow this and additional works at: https://digitalcommons.kennesaw.edu/yaljod

Part of the African Studies Commons, Critical and Cultural Studies Commons, Growth and Development Commons, Peace and Conflict Studies Commons, and the Political Theory Commons

Recommended Citation
Available at: https://digitalcommons.kennesaw.edu/yaljod/vol1/iss1/17

This Article is brought to you for free and open access by DigitalCommons@Kennesaw State University. It has been accepted for inclusion in Young African Leaders Journal of Development by an authorized editor of DigitalCommons@Kennesaw State University. For more information, please contact digitalcommons@kennesaw.edu.
ON BEING AN ENTREPRENEUR: THE NIGERIAN PERSPECTIVE

Olayinka K. Binuomoyo
Member, Institute of Chartered Economists of Nigeria (ICEN), Lagos, Nigeria

ABSTRACT

It is common knowledge that the success of an economy rests on the strength of its entrepreneurs. Present-day challenges make it imperative for countries in the same bracket as Nigeria to de-emphasize reliance on oil and government for social crumbs, to embrace innovative activities and deepen small and medium-scale enterprises (SMEs). SMEs are important drivers of economic growth but they face significant challenges as obtained in Nigeria where infrastructures such as power, transportation and financing needed to make entrepreneurship work seldom exists. With a high unemployment rate, young Nigerians are required to embrace entrepreneurship. The aim of this paper is to present the Nigerian entrepreneur within the country’s challenging business environment as a true definition of an entrepreneur despite the general definition. We presented a set of questions and gathered feedback through a set of questionnaires administered using purposive sampling on 6 trade associations in Iwo Town, Osun state, Nigeria.

INTRODUCTION

Nigeria is the largest economy in Africa, a laudable feat going by its population of over 179 million people (WPR, 2016), not considering the country’s lower per capita income and mono-economy dependent on importation.

The country has the resources necessary to make its economy great: a large expanse of arable land that supports agriculture, a large market from within and without and communities that team up with each other for communal economic development.

With its huge population, Nigeria boasts of huge human capital, accounting for 15% of the continent’s population, 11% of its output and 16% of the foreign reserves, with phenomenal dominance in West Africa to include half of the sub-region’s population and 70% of its output.

Nigeria’s human and non-human resources help Africa and the greater world by providing economic aid to Africa, political resolution of crises across the continent, skills, and technical aid to countries in need in diverse sectors of the society. The nation's human resource endowment is such that one in five Africans is a Nigerian.

The country is the largest economy on the continent with an annual gross domestic product (GDP) of $509.9 billion USD. It is the 13th largest oil producer in the world with 32 billion barrels of oil reserves, enough for 37 years (British Broadcasting Corporation, 2014). The country’s gas reserves, going by the 2005 estimates, will last for 110 years at the current rates of usage (Oloja & Oretade, 2006). Some developed countries opposed debt relief for the country in 2005 citing the above.

Nigeria has abundant solid mineral deposits including coal, tin ore, gold, gemstones, marble, uranium, salt, soda, and sulphur (National Planning Commission, 2004). The country earned
N300 billion (Nigerian naira) from oil exports between 1970 and 2000. With these natural and other resource endowments, Nigeria has the potential to sustain its status as Africa’s largest economy and a major player in the global economy, yet the country is wanting.

The economic development status of Nigeria in the midst of these resources perplexes many. For example, in the build-up to negotiations with the country’s international creditors on pardoning the country’s debt in 2005, many of the creditor countries opposed Nigeria receiving debt pardon citing its vast resources. Hence, the need for another golden nest away from oil, to be found in entrepreneurship and SMEs.

ENTREPRENEURSHIP AND ITS CONCEPTUALIZATION

An entrepreneur is a person who manages and takes business decisions. He/she innovates, comes up with ideas, identifies opportunities, seeks finance and strives to succeed. He/she decides what to produce, how to produce and for whom to produce, to make a profit.

Shane (2003) defines entrepreneurship as an act of being an entrepreneur, or someone who undertakes innovations, finance and business in an effort to transform innovations into economic goods. This can be internal expansion otherwise called intra-preneurship or new venturing altogether.

The setting of entrepreneurship is two-faced: the internal environment (psychological traits such as an entrepreneurial person being recognisable by his personal attributes) and the external environment (the platform and characteristics on which the activities of the entrepreneur takes place). Three major activities of entrepreneurship are discovery (of opportunities and ideas), investing (putting to use of any or all available resources) and taking decisions (the use of the resources including resource allocation and risk-taking). The entrepreneur is the heart and brain of the business. He has all the units and departments in him alone. He knows where he wants to be and decides when, how and sometimes, if he wants to get there.

The vast majority of developed and developing countries rely on dynamic, resourceful and risk-taking entrepreneurs to trigger and sustain economic growth. In economic development, SMEs play an important role. Characteristics such as endurance, competition and entrepreneurship, have external benefits to the economy besides efficiency and growth in productivity. Advocates of SMEs support claims that they are generally more productive than larger firms.

Another argument further states that SMEs’ expansion boosts employment more than large firms’ growth because SMEs are more labour-intensive. This may mean that subsidising SMEs can represent a poverty alleviation tools. By promoting SMEs, individual countries and the international community at large can make progress towards the main goal of reducing poverty. Entrepreneurial development is important to the Nigerian economy which is characterised by heavy dependence on oil, low agricultural production, high unemployment rate, low use of industrial capacity, high inflation rate and lack of industrial infrastructural base. These constraints can also limit the rate of growth of entrepreneurial activities in Nigeria.

ENTREPRENEURSHIP CHALLENGES IN NIGERIA

The challenges faced by entrepreneurs are the same faced by established Tier-2 businesses. Chief among the challenges is corruption, regulatory bottlenecks, access to credits or loans, power,
transportation problems, infrastructure and market access.

The ‘Doing Business’ report is based on the regulatory environment of business, measuring the economies of countries from many areas of the life of a business. The focus is on regulatory constraints for businesses. Creating a regulatory platform that allows entrepreneurship to blossom has huge positive impact on job creation and the economy.

Table 1: 2015 GDP and Doing Business Ranking, 2016

<table>
<thead>
<tr>
<th>Country</th>
<th>Nigeria</th>
<th>South Africa</th>
<th>Egypt</th>
<th>Ghana</th>
<th>Libya</th>
<th>Angola</th>
<th>Kenya</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (billion US $)</td>
<td>594.3</td>
<td>341.2</td>
<td>275.7</td>
<td>50.0</td>
<td>67.6</td>
<td>129.8</td>
<td>56.3</td>
</tr>
<tr>
<td>Global Ease of Doing Business</td>
<td>169</td>
<td>73</td>
<td>131</td>
<td>114</td>
<td>188</td>
<td>181</td>
<td>108</td>
</tr>
<tr>
<td>Starting a Business</td>
<td>26</td>
<td>17</td>
<td>3</td>
<td>13</td>
<td>18</td>
<td>27</td>
<td>31</td>
</tr>
<tr>
<td>Dealing with Construction Permits</td>
<td>40</td>
<td>10</td>
<td>12</td>
<td>23</td>
<td>19</td>
<td>13</td>
<td>28</td>
</tr>
<tr>
<td>Getting Electricity</td>
<td>41</td>
<td>31</td>
<td>18</td>
<td>9</td>
<td>15</td>
<td>29</td>
<td>12</td>
</tr>
<tr>
<td>Registering Property</td>
<td>46</td>
<td>11</td>
<td>15</td>
<td>5</td>
<td>20</td>
<td>38</td>
<td>17</td>
</tr>
<tr>
<td>Getting Credit</td>
<td>7</td>
<td>7</td>
<td>1</td>
<td>4</td>
<td>18</td>
<td>45</td>
<td>3</td>
</tr>
<tr>
<td>Paying Taxes</td>
<td>41</td>
<td>2</td>
<td>18</td>
<td>15</td>
<td>19</td>
<td>23</td>
<td>11</td>
</tr>
<tr>
<td>Trading Across Borders</td>
<td>42</td>
<td>21</td>
<td>14</td>
<td>36</td>
<td>9</td>
<td>41</td>
<td>22</td>
</tr>
<tr>
<td>Enforcing Contracts</td>
<td>25</td>
<td>16</td>
<td>18</td>
<td>14</td>
<td>16</td>
<td>47</td>
<td>9</td>
</tr>
</tbody>
</table>

Source: World Bank Group (2016); Africaranking.com

Let us discuss the ‘Doing Business 2016’ data from the World Bank economic ranking. The data highlights the country’s business environment defined as ease of doing business with key indices like starting a business, getting electricity, getting credit (loan), and trading across borders (international trade) as key focus (see Table 1). Nigeria has not fared better than a smaller country like Ghana.

Primary data was developed from modified ‘Doing Business’ indices and data collected using purposive sampling with questionnaires administered on members of 5 trading and business associations in Iwo Town of Osun state, Nigeria. Find the summary of key questions and responses in Table 2. The questions are based on the World Bank’s Doing Business indices.

The indices by which data is collected from members of the trade associations is defined with reference to the World Bank’s ‘Doing Business’ indices as follows.
1. Starting a business: Referring to the ease of starting a business by an entrepreneur. This also involves third-party (family, friends, public or government) support, the ease of business names registration or incorporation of new companies and access to business support services.

2. Obtaining business permits: This has to do with the ease of getting business licence, regulatory and professional permits. It also tends towards enforcing legality and quality of the products and services offered.

3. Access to electricity: This refers to reliability, adequacy, affordability and transparency.

4. Registering business property or obtaining a certificate of occupancy: This means getting a proper trading outlet. Access to credits is often predicated on collateral with both commercial and microfinance banks. With the clog created by the Land Use Act of 1978 and considering the expensive fees, registering of landed properties is complex and almost impossible.

5. Getting credit/loan: This has to do with access to financial supports for businesses from banks in particular.

6. Public economics and policies: This refers to the extent to which government agencies, their actions and policies affect business operations. Worthy of attention are levies, taxes and public finance which includes injection of funds into the local economy through regular and adequate payment of salaries, pensions, etc.

7. Trading across borders: Defined with regards to international trade-related policies like foreign trade, foreign exchange policies and processes issued by government agencies.

8. Enforcing the law and contracts: This refers to the strength of the rule of law in taking its course in the disposition of justice particularly on business transactions.

9. Access to knowledge and skills supports: This is explained with regard to access to knowledge and information as well as skills necessary to equip the entrepreneur for a successful start-up. This is about addressing skills' shortage.

10. Road and other infrastructure: This refers to the availability of good roads and proper transport systems that are efficient for business transactions. It also includes telecommunications and other social amenities that will aid business success.

Table 2 shows data collected in a survey of five trading operators in Iwo Town, Osun state, Nigeria. Over 50 members of each association took part in the survey, giving group answers. Questions documented by each indicator are asked in the positive while respondents answer YES or NO. For example, question starts like “Is it easy...?” The percentage of YES responses to the total respondents appears on the table. The data collected is also presented in table 2.
CONCLUSION

Considering the country’s economy and the fact that the world is currently in regression, the Nigerian entrepreneur is a goal getter and risk-taker. And if entrepreneurs, amidst challenges, become proactive, develop a sense of survival and seek deeper dimensions to the obstacles highlighted in Table 2, their success is a given.

Table 2: Survey of Associations on the Nigerian Environment of Business (in %)

<table>
<thead>
<tr>
<th>Country</th>
<th>Mobile phone operators / sellers</th>
<th>Computer services operators</th>
<th>Motorbike operators</th>
<th>Cement sellers</th>
<th>Cold fish sellers</th>
<th>Agriculture (farming, poultry, etc.)</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starting a business</td>
<td>17</td>
<td>12</td>
<td>25</td>
<td>5</td>
<td>23</td>
<td>32</td>
<td>19</td>
</tr>
<tr>
<td>Obtaining business permits</td>
<td>22</td>
<td>35</td>
<td>60</td>
<td>89</td>
<td>44</td>
<td>98</td>
<td>58</td>
</tr>
<tr>
<td>Access to electricity</td>
<td>15</td>
<td>7</td>
<td>n/r</td>
<td>n/r</td>
<td>2</td>
<td>9</td>
<td>8.25</td>
</tr>
<tr>
<td>Getting a business outlet / registering property / obtaining C of O</td>
<td>45</td>
<td>14</td>
<td>82</td>
<td>35</td>
<td>48</td>
<td>95</td>
<td>53.17</td>
</tr>
<tr>
<td>Getting credits / loans</td>
<td>14</td>
<td>9</td>
<td>2</td>
<td>73</td>
<td>51</td>
<td>49</td>
<td>33</td>
</tr>
<tr>
<td>Public economics and policies</td>
<td>46</td>
<td>66</td>
<td>71</td>
<td>11</td>
<td>16</td>
<td>82</td>
<td>48.67</td>
</tr>
<tr>
<td>Trading across borders</td>
<td>12</td>
<td>n/r</td>
<td>n/r</td>
<td>n/r</td>
<td>n/r</td>
<td>n/r</td>
<td>12</td>
</tr>
<tr>
<td>Enforcing the law and contracts</td>
<td>33</td>
<td>21</td>
<td>8</td>
<td>91</td>
<td>46</td>
<td>98</td>
<td>49.5</td>
</tr>
<tr>
<td>Access to knowledge &amp; skills support</td>
<td>5</td>
<td>56</td>
<td>21</td>
<td>69</td>
<td>68</td>
<td>86</td>
<td>50.8</td>
</tr>
<tr>
<td>Road and other infrastructure</td>
<td>n/r</td>
<td>n/r</td>
<td>77</td>
<td>85</td>
<td>96</td>
<td>98</td>
<td>89</td>
</tr>
</tbody>
</table>

Source: Author; n/r – not required to operate the business
REFERENCES


