The Challenges of Government Policy on Entrepreneurship in Nigeria

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Abstract

This study examines the effect of public policy on entrepreneurship in Nigeria. Data were collected through questionnaire, face to face interview, focus group discussion, journals, text books and other relevant materials. Research questions were raised and analyzed. The analysis revealed that government ill formulated and ill implemented fiscal policies, has contributed to slow the pace of entrepreneurship development in Nigeria. Furthermore most public policies are so complex that the cost of problem solution is higher that the benefit. Based on these findings, some recommendations were proffered. Essentially, the government should integrate all stake holders in the pursuant of power/energy related policies to ensure stability in electricity supply. Adequate fund should be made available to ensure smooth implementation of business related policy.

KEY WORDS: Entrepreneurship, Policy, Public.

INTRODUCTION

The inability of government at various levels to provide employment tended to have popularized the saying that “government alone cannot provide jobs for everybody and that people should learn to be self-employed”. Before now, argues Onwuka (2008) many people especially the educated ones had always depended on government for employment after graduation from school.

As a matter of fact, many of those who constitute the ruling class today in Nigeria started their careers from government employment, and that was at the time of oil boom, when the Nigerian economy depended significantly on oil revenue. Unfortunately, the reverse seems to be the present situation in the country now (Nigeria is trying to diversify her sources of income and revenue and not depend on oil revenue alone).

What has come out of the poor state of the Nigerian economy, since the beginning of 1980, at least 60% of graduates are not able to get employment immediately after graduation; that many are learning and wishing to be on their own rather than looking up to government for employment, thus, the concern of the Nigerian government is to make as many people as possible particularly the teaming young graduates to be self employed.

To this effect, the governments at all levels have embarked on numerous programs aimed at assisting young school leavers to acquire necessary resources to enable them start their own business. In spite of all these, unemployment rate is still very high, entrepreneurial development is also still at its nadir stage. The entrepreneurial environment in Nigeria is also very hostile. In view of this ugly trend, many policies were put in place. Such policies include the National Directorate of Employment- NDE, Open Apprenticeship Program, Structural Adjustment Program and the current National Economic Empowerment and Development Strategy (NEEDS). The policy thrust of NEEDS includes consolidation and strengthening an enabling environment for a competitive private sector, reduction of policy related costs and risks, such as corruption, red tape, and administrative barriers to business, reactivation of infrastructural facilities like electricity,
transport and water, cheap and easy access to finance, rationalization of fiscal, monetary and legal incentives to ensure that firms have access to them.

**Statement of the Problem**

1. The thrust of several entrepreneurial related public policies in Nigeria seek to address the rapid growth of a resilient and competitive private sector as a key component of a sustainable reform program. Every effort is being made, as a part of the transformation agenda, to diversify the economic base and reduce the relative dominance of the oil sector. Nigeria as a developing nation desire to attain a high level of economic development. Todaro (1979) described economic development as a multidimensional process involving changes in structure, attitude and institution as well as the acceleration of economic growth, the reduction of inequality and eradication of absolute poverty. A cursory look at Nigeria indicates that she either lacks entrepreneurship ability or that government entrepreneurship oriented policies are not effective. Ugwu (2006) argues that most entrepreneurship related policies and programs in Nigeria fall short of appropriate development frameworks. Some of the policies are poor, frequent changing of policies and programs and lack of clear entrepreneurial development vision and commitment which pose serious threat to entrepreneurship in Nigeria. Some of the entrepreneurial related policies are good but the issue of poor environmental forces hinders them. For instance electricity supply, water, good road network, is not available to encourage entrepreneurs. Difficult access to finance, high import tariff and other tariffs of government pose serious threat for the survival of young entrepreneurs.

In the light of the foregoing, the following questions become pertinent:

1. Are policies relating to entrepreneurship in Nigeria properly formulated and implemented?
2. To what extent have policies relating to environmental factors impaired entrepreneurial development in Nigeria?
3. To what extent has incompatibility of policy goals affected entrepreneurship in Nigeria?

**Objectives of the Study**

The broad objectives of this study are to examine the role of public policy on entrepreneurial development in Nigeria. Thus the specific objectives are:

1. To examine the factors that hinder implementation and formulation of entrepreneurial policies in Nigeria.
2. To determine to what extent poor implementation of policies relating to environmental factors have impaired entrepreneurial development in Nigeria.
3. To assess the extent incompatibility of policy goals have affected entrepreneurship in Nigeria.

**Population of the Study and Sample Selection**

The target population is made up of proprietors of small and medium scale enterprises in Nigeria. The number is somewhat infinite. Therefore the researcher decided to limit the target population to only the literate small and medium scale entrepreneurs who are involved in productive venture in Enugu and Awka industrial layouts.

Therefore, our target population comprised the following:

**Description No. of industrialist**

1. Cosmetic and detergent 5
2. Marble production 4
3. Roofing sheet 6
4. Paint production 91
5. Automobile 01

**Total** 107
Since our population has been reduced to definite proportion, we select our sample using Yaro Yamani formula:

\[ N = \frac{N}{1 + N(e^2)} \]

Where 
- \( n \) = sample size
- \( N \) = population
- \( e \) = error margin
- \( 1 \) = constant
- \( N = 107 \)
- \( 1 + 107 \times (0.05) \)
- \( = 107 \) 1.2675

\[ \frac{n}{1.2675} = 84.418145 \]

Sample size = 84

Sample allocation:
- \( N1 = 3 \)
- \( N2 = 2 \)
- \( N3 = 4 \)
- \( N4 = 74 \)
- \( N5 = 1 \)
- \( n = 84 \)

Method of Data Collections

The study relied heavily on both primary and secondary sources of data. Questionnaire and face to face interview and focus group discussion were the main tools used for primary data collection. Secondary data were essentially collected from textbooks, journals and publications on entrepreneurship.

LITERATURE REVIEW

Industrialization in Nigeria

Industrialization enhances the productive capacity of a nation to provide needed goods and services, employment, and improved standard of living. Amaku (2004) says “industrialization is the mechanization of the productive process. Developing the productive capacity of a nation to process raw materials into finished products and essential services”.

In 1980, the Federal Government of Nigeria directed its policy thrust on the rapid development, expansion and diversification of manufacturing activities via entrepreneurial practices. The policy objectives favored the processing of raw materials before they are exported, the production of some intermediate products and capital goods through backward integration, as well as the manufacture of goods for the domestic market. The Entrepreneurial policy objectives were:

(a) To provide employment opportunities.
(b) To increase the incomes realized from manufacturing activity.
(c) To facilitate the program of import substitution so as to generate some foreign currency from the export of made-in-Nigeria goods.
(d) To emphasize research and development by constantly improving the processes of production, input of local raw materials, and the quality of industrial outputs.
(e) To enhance manpower and equip them with technological skills, to maximize local value-added quality by utilizing local raw materials, and to promote backward integration by producing semi-finished goods.
(f) To increase private sector participation in manufacturing via entrepreneurship.
(g) To attract foreign capital into Nigeria’s industrial sector.

For the success of the policy, the government introduced several incentives for industrial-related entrepreneurial development – these include income tax relief, tax reduction for use of local content, direct provision of funds, etc. One of the additional structures put in place to accelerate industrial-entrepreneurial related development was the National Office for Technology Acquisition and Promotion (NOTAP). The concept of NOTAP was for the entire national productive economy to focus on technology for micro, small, medium and large scale industrial ventures. This wonderful policy of Nigerian Government is well desired but a serious gap exists. Essentially, most of these policies are properly documented on paper but not properly implemented. Today many entrepreneurs who have flair for industrial development have folded because of harsh government tariff and policy neglect.

Some of the sectors that suffer from the underlying problems argues Uzodinma (2005), include:
(a) Garri and starch processing  
(b) Manufacture of electronic components  
(c) Block and tile manufacture for construction  
(d) Candle, matches, toothpick, soap, powder  
(e) Tyre retreading  
(f) Fabrication of tools, nails, and machines  
(g) Manufacture of cocoa and beverages  
(h) Manufacture of footwear, paints, plastic products, and metal.

The Importance of Industrial –Related Entrepreneurship in Economic Development

According to Bhatt (1997) “micro-entrepreneurship development is the best way to include the economically excluded”. Through industrial enterprises, the economically disadvantaged get to participate in the economic affairs of the nation deriving profit and livelihood from their productions. Micro-industries contribute to the production of improved needed goods and services, and more equitable standards of living and income distribution. Micro industries provide the fall-back “fiber that the economy requires to stay strong by strengthening both the horizontal and vertical linkages in the system” (Gopal and March, 1994, Ebi, 1995). By protecting the economic activity and creating avenues for people to be productively employed, micro industries help to get the people involved in the economy. The establishment (and operation) of micro-industries also facilitates economic democratization, the provision of needed goods and services, and also helps to create downstream income for suppliers and technicians. Chinwe (2007) argues that industries contribute to the over 70% of employment in Nigeria, which in no small measure help to curtail rural-urban migration. It also provides financial freedom to entrepreneurs. Furthermore, it facilitates the utilization of local raw materials to produce needed goods. In some cases, it produce and supply intermediate goods to the larger industries.

Nature and Meaning of Entrepreneurship

Entrepreneurship is defined as the willingness and ability of an individual to seek out investment opportunities, establish and run an enterprise successfully (Ile, 2001). The concept of entrepreneurship has been associated with establishment and operating of business enterprises (Kilby, 1971, Inegbebor, 1989). The activities include:

(a) Identification of investment opportunities  
(b) Decision making as to the opportunities to exploit, promote and establish the business enterprise  
(c) Aggregate of the scarce resources required for production and distribution  
(d) Organizing and management of human and material resources or the attainment of the objectives of enterprises  
(e) Risk bearing and  
(f) Innovation

In fact an effective performance of the above activities is critical to the birth, survival and growth of the business enterprises. Entrepreneurship is therefore a vital fact in the process of economic development of any nation.

The concept of entrepreneurship autonomy in initiating service of economic activities is of great importance. Entrepreneurial behavior is now required in management of a business especially in strategy formulation.

Koontz (1972) argue that entrepreneurship encompasses various activities which are carried out to ensure the survival and growth of a business. Entrepreneurship ability is based on personal attributes, knowledge and experience to establish and operate a business. The argument above does not differ significantly with the view of Onwuchekwa (1993). He argues that entrepreneurship is an important component of societal development. Most of the business organizations in our society today originated through entrepreneurship in Nigeria. The present developmental situation in Nigeria is bound to improve
significantly if entrepreneurial practices are effective.

Public Policy in Nigeria: An Overview
The concept of public policy has become so controversial and perceived to mean different things to different scholars. This controversy has paved way for academics to define public policy as it would suit their purpose.

Nwizu (1997) simply defines public policy as a guiding principle which governs action especially repetitive actions, it is a decision as to what should be done and how, when and where. Easton (1965) in Chukwuemeka (2001) defines public policy as the authoritative allocation of value of the whole society. Some of these definitions are in one way or the other not adequate. However, we suggest that public policy is a pronouncement of government intentions by people in positions of public trust, demanding governmental actions or inactions and having impact either negative or positive, on the majority of the members of a given society. Public policy is a statement about future intentions of government. This argument is also supported by Onwa (2000) who says that public policy is "actions and inactions of government" Public policy formulation appears to be simpler than policy implementation. Implementation of public policy therefore refers to those activities directed towards putting a project into effect (Uzoigwe, 2008). The process involves organizing the bureaucracy, marshalling out resources, assigning duties and responsibilities and also making interim decision. It is usually at the policy implementation stage that interest groups and individuals become aware of the assistance of a new policy and therefore try to push for either its modification or total rejection.

In a political system policy is implemented by a complex system of administrative agencies, departments and sub-departments. For instance the electricity department, water and bureau of enterprises have roles to play in public policy implementation in Nigeria.

For policy implementation to be effective and successful, the following strategies according to Dror (1980) have to be taken into consideration:

(i) **Communication**: For implementation to be effective and successful, those to implement must know what they are expected to do. Communication is very vital in any organization. The order has to be clear, accurate and consistent. There must be no ambiguity. The distortion must be minimal unless the communication is clear, it will be subject to minister predation. Poor communication always lead to crisis whether in the family, government or organization or at community level

(ii) **Resources**: The resources have to be there so as to implement policies. There must be adequate financial support which is a sine guan non for adequate staffing, procurement of spare parts etc. in effect all the necessary structure must be there. Unless the resources are there, the implementation of the policy will be difficult. Oftentimes policy implementers in Nigeria complain of problem of logistics, which arises from poor financing.

(iii) **Disposition of policy implementer**: The disposition and attitude of the policy implementers are very important factors in policy implementation; the policy implementer must have the desire to carry out the policy to eliminate policy frustration.

(iv) **Bureaucratic structure**: Organizational fragmentation may hinder the coordination of a complex policy requiring the co-operation of many people – division of function can impede the implementation of policy. Rigid rule and regulations can constitute an obstacle; it minimizes the use of initiative and the use of discretionary powers.

(v) **Monitoring and evaluation**: Most policies are formulated and thereafter the implementation is neither monitored nor evaluated. To
minimize the effect of the aforesaid factors, there must be continuous monitoring and evaluation of the implementation process.

**Government Control of Entrepreneurship**

Ile (2001) argues that government control of business of any nature means every organized governmental action that affects business, whether the objective is to promote or and guide or direct or restrict or limit or prohibit or ban certain types of actions. The question arises, whether government control of business in Nigeria has yielded any meaningful fruit? There is no gainsaying that the government ought to provide employment for the teeming citizenry, or create enabling environment to promote private business especially entrepreneurship. Government control of business is ideal but at the same time should be mindful of the interest of the stakeholders. There are however many ways government could control entrepreneurship. Nwankwo (1998) outlined some of the controls as administrative control which involves using some government agencies like Standard Organization of Nigeria, Nigeria Airport Authority, Nigerian Stock Exchange, Central Bank, Security and Exchange Commission etc.

Judicial control includes statutory enactments, jurists what rely upon principles developed in the common law to regulate commerce. However judicial control in some cases is biased. Thus the entrepreneurs who have people in government are treated as sacred cow while those who do not have are victimized. Uzochukwu (2005) also writes that government has legislative control over business which is excised through various pieces of legislation in Nigeria. Government enacts laws which either prohibit certain business behavior or demand certain type of activities from business enterprises. Government also directs business through the budget and monetary and fiscal policies. It is important to note that government policies are imperative to control the excesses of disgruntled business operators, but government should be mindful of her policies and thoroughly assess policies before they are churned out for implementation.

**Why Policies may not have their intended impact in Nigeria**

Policy evaluation often indicates that policies do not achieve the intended goals. A variety of factors may impede the attainment of policy goals argues Adebayo (1995). They are:

1. **Multiplicity of causes of problem:** Policy problems are quite often caused by multiple factors; negative practices of sellers like commodity trade unionism cause inflation. Uncontrolled wage/salary increase time and time again has also caused inflation etc. Therefore, any policy made to control inflation should take into consideration these extraneous variables. Policy formulated to encourage entrepreneurship should at the same time take the issue of electricity, water, good road network into consideration.

2. **Public policies have incompatible goals:** When policies are made argues Onyishi (2004) without taking into consideration incompatible goals it tends to affect the impact of the policy. For instance, Olusegun Obasanjo administration (1999-2007) adopted the policy of poverty alleviation and promotion of socio-economic development and at the same time pursued a policy of retrenchment of thousands of workers from paid employment. The situation increased cases of crime and poverty.

3. **Resources:** Greater percentage of good policies formulated in Nigeria according to Clark (2000) is not well funded and thus lead to their failure. For instance most rural development policies failed due to inadequate funding. Also entrepreneurship is not thriving in Nigeria properly due to inadequate fund to pursue the appropriate models and strategies.

4. **Cost of problem solving:** Most public problems are so complex that the cost of ameliorating the problem may be higher than the
benefit that could accrue from such policy.

(5) **Emergence of new problem:** Sometimes in the course of policy implementation, a new problem may arise which automatically divert attention from the existing problem. For instance, in the course of implementing rural development programs and industrialization in Nigeria, it stemmed up the rate of armed robbery in the rural areas, which constituted another big problem for the government to control.

(6) **Insolubility of some problems:** Some policy problems defied conclusive solution for example education for all program has not been achieved in Nigeria because of the orientation of the islamic communities where women education is not encouraged (Adebayo,1995).

### ENTREPRENEURSHIP AND GOVERNMENT POLICIES

The private sector argues Eze (2005) fail to become more proactive in creating productive jobs, enhancing productivity, and improving the quality of life. It is also to be socially responsible, by investing in the corporate and social development of Nigeria and by actively promoting the unity and cultural educational, moral and social development of the Country. The attainment of these goals appears to be impossible. Many factors could be adduced to be responsible. Major among these factors range from strict control of government through its policies and difficulties in sourcing fund due to harsh fiscal policies. The problems could be summarized as follows:

The private sector is faced with the issue of the deficiency in such infrastructure facilities as electricity, water, roads and telecommunications (Ile,2002). The deficiency encumbers private enterprise especially manufacturing industries for they have to undertake extra compensatory investment which unduly enlarge the overhead and weaken the compositeness of local product against imported varieties. It will take many more years before the private sector can play a significant role in the provision of utilities and the public sector must continue to shoulder this responsibility in view of the lumpiness of the capital outlay required. The government is aware of this problem, and it appears that all programs planned to improve power supply have failed. At a point Nigeria decided to change the name “National Electric Power Authority (NEPA)” to “Power Holding Company of Nigeria (PHCN)”. The implication is that the private sector participation was encouraged, but this has not changed the epileptic power supply in Nigeria.

(ii) Poor implementation of policy measures and incentives: There is poor implementation of policy measures and incentives, thus the administration of policy measure especially with regard to incentives, should be simplified and accelerated realizing that time is money. More so in the private sector, some well intentioned and partially effective policy measures are impaired through delayed or poor implementation.

Other obstacle to entrepreneurship argues Obasi (2005) are:

- High tariff chargeable which weighs down new entrepreneurs
- Tax burden
- Excessive charges from local government, ministry of commerce and industry and environmental protection agencies. Epileptic electricity supply pose serious danger even when the electricity is not supplied the authority still circulate highly rated bills.

Okafor (2000) argues that entrepreneurship could only be sustained in Nigeria when bank interest rates could be accessed by all and sundry at a very low interest rate. Reasonable tax holiday should be granted to young investors.

### Economic Issues in Nigeria: The Basic Facts

Nigeria, with a population estimated at about 140 million, is the largest Country in Africa and one of the largest black population, in the World argues Soludo.
There are abundant mineral deposits that remain largely untapped. Currently, barely 40% of its arable land is under cultivation. With over 100 tertiary institutions producing more than 200,000 graduates per annum, the basic human capital for progress is there. It is estimated that about 17 million Nigerians live outside the country, with tens of thousands as world class medical doctors and other professionals. In the midst of these resources, Nigeria (on the average) stagnated over the period up to 1999. The poverty situation worsened consistently such that by 1999, the incidence of poverty was estimated at 70% (Nebo, 2006).

A classic example to underscore the scope of our misfortunes is to compare Nigeria with Indonesia and even Malaysia. By 1972, before Nigeria and Indonesia had the first oil boom, both countries were comparable in almost all counts, agrarian societies, multi-ethnic and religious societies, with comparable size of GDP, etc. Both experienced oil boom in 1973 and thereafter, but took different policy choices. The outcomes of the differences in policy regimes are such that today, while manufactured goods as percentage of total exports is about 40% in Indonesia, it is less than 12% in Nigeria – where we were in the 1970s. We hear of how Malaysia got her first palm seedlings from Nigeria in 1963. It is said today that Malaysia’s export of palm oil produce earned it more than Nigeria earned from oil exports (Soludo, 2006). In contrast, two brand names emerged in the international community to define Nigeria. “Advance Fee Fraud” (a.k.a. 419) and corruption as Transparency International consistently ranked her either number one or number two most corrupt Country in the World. In International relations, Nigeria was literally a pariah State. In economic terms, the decade of the 1990s witnessed an average GDP growth rate of 2.8% just about the rate of growth of the population (2.8%) - This means that on a per capita basis, growth was zero using the decade of the 19990s and no wonder poverty incidence worsened to 70%. The entire basic infrastructure was in a state of crisis, with barely 1700 MWH of electricity being generated for a Country that needed at least 50,000 MWH (Nebo, 2006).

Needless to recount that there were the dilapidated poor road network, transportation infrastructure and the nascent, albeit fragile financial system that was ill-suited to the demands of investors. Unemployment and poverty were the twin faces of the economy.

FINDINGS

The summary shows precisely the result of the research as derived from focus group discussion, literature review and face to face interview that:

1. Policies in Nigeria especially the aspect that suppose to address entrepreneurial environment are formulated without taking into consideration incompatible goals.

2. Adequate resources are not always made available to pursue public policies so that they could make the intended impact.

3. Energy, water, road construction and other policies relating to entrepreneurship have not been pursued vigorously by the government because the problems inherent are so complex that the cost of pursuing the policies may be higher than the benefit. Entrepreneurs would find difficult to succeed in a poor economic environment like Nigeria today.

4. Over taxing, high tariff and the nefarious activities of hoodlums who hide under the cloak of Local Government revenue agents, Ministry of Commerce and Industry and Environmental Authority have done a lot of harm to the growth of entrepreneurship in Nigeria. They tend to harass young entrepreneurs from time to time in pursuit of their private gains.

Conclusion and Recommendation

Entrepreneurship is very vital especially to new states. It is a veritable tool that could foster self-reliance - generating growth.
Entrepreneurship would also occasion an increase in the Nation’s GDP. Furthermore it would reduce the high rate of import substitution industries, marginalization of the peasantry. It would also reduce the influx of multinationals with the attendant monopoly capitalism.

In the light of the foregoing the following recommendations have been put forward:

1) The Government is required to take into consideration all the conflicting factors before formulating and implementing policies.

2) Adequate fund is required in the pursuance of policy objectives to ensure high rate of success.

3) In formulating power/energy policies, all the stake holders ought to come together to ensure that areas of problems are addressed and those involved in the implementation need to have the technical know how required. The Obasanjo’s led administration invested whooping sums of money in the energy sector, and yet no improvement is recorded in the sector. The 1700 MHW currently generated as against 50,000MHW recommended minimum MHW calls for serious rethinking by the Federal Government of Nigeria.

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