

The Effects of Selected Socio-Economic Variables on the Entrepreneurship Performance in Nigeria Economy

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Abstract

This study emphasizes that the development and improvement of a country is directly associated with the number of entrepreneurs. The higher the numbers of entrepreneurs are, the higher the level of economic development and growth is. According to this consideration, one of the essential elements of economic activity is the existence of entrepreneurs. The aim of this study is to ascertain the effects of selected socio-economic variables on the entrepreneurship performance in Nigeria economy. The study utilized a questionnaire approach to generate the necessary data used in analyzing the relationship. The findings indicate positive relations between entrepreneurship performance and the selected socio-economic variables. The study call into question the policy approaches to entrepreneurship development in Nigeria.

Keywords: Entrepreneurship performance; Economic growth; Sustainability using selected socio-economic variables

Introduction

The emergence and development of entrepreneurship is an important phenomenon in contemporary economies. Entrepreneurship is strongly linked to small and medium sized enterprises which are the main developing force of the developed market economies. Importance of entrepreneurship and Small business development for long-term economic growth is quite obvious. The importance of small businesses as the driver of sustainable job and wealth creation has been confirmed by various authors [1-4]. This assertion added that entrepreneurship as a possible solution to the growing problem of joblessness. It follows as put forward by Marais and Petrakis [5,6] that the start-up and sustainability of small businesses are crucial for economic development and poverty alleviation. Van der Marwe and De-Swardt [7] extended this notion by stating that successful entrepreneurs are needed to enhance the small business sector.

In this study, we closely look at the very notion of the terms “entrepreneurship” and “entrepreneur”. Entrepreneurship according to Schumpeter [8] can be viewed as the formation of a new firm that uses innovation to enter existing markets or to create new ones and grow by making new demand, while taking market share away from existing suppliers.

On the other hand, entrepreneur is someone who independently own and actively manages a small business [9,10] states that an entrepreneur is someone who introduces new ideas and changes the rate at which the wheels of enterprises go around.

Small business entrepreneurship has been seen as a hub in generating income for the majority of urban dwellers with no formal paid employment. In Nigeria, entry into small business entrepreneurship is usually not seen as a problem. One can start small business of any time and in any place. The development of this informal sector has been profoundly characterized by two parallel phenomenon. One is the increasing politicization effort encouraging people to engage in small and medium entrepreneurship. This has led to the proliferation and mushrooming of small business, most of which are in the form of petty trading. The second is the parallel increase in events suggesting prevalence of crime and bureaucratic hurdles which affect the growth of small businesses. This study identifies the role of entrepreneurial activities in Nigeria and proposes set of specific interventions that Nigerian governments may initiate to stimulate entrepreneurship.

Research objectives

The main objective of this study is to examine the effects of selected socio-economic variables on the entrepreneurship performance in Nigeria Economy. The following secondary objectives were formulated in support of the main objective.

- To examine factors necessary for the favorable environment for entrepreneurial development in Nigeria.
- To determine the government's effort to spur entrepreneurship development.
- To provide basis for future empirical studies in promoting entrepreneurship in Nigeria and other developing regions.

Statement of problem

Nigerian Youth faces many challenges. The future appears very bleak. Very few research results are available on youth attitudes toward entrepreneurship. More information is required for the development of suitable interventions to improve the employability of the youth exiting from higher institutions and other levels. The problem statement central to this study is the expectation that exposure to entrepreneurship will influence young people attitudes towards entrepreneurship as a career choice and subsequently their plans for the future.

Significance of the study

Because of the importance of entrepreneurship to the growth of an economy, this study intends to uncover some problems faced by Nigerian entrepreneurship and the factors contributing to their success. Results from this study hopefully can provide helpful information to

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policy decision-makers in creating an environment conducive to the development of the private sector.

Review of Related Literature

The 21st century has focused heavily on corporate strategy innovations. This has led to a new emphasis on entrepreneurial thinking developed during the entrepreneurial economy of the 1980s and 1990s. Entrepreneurial attitudes and behaviors are necessary for firms of all sizes in order to prosper and flourish in competitive environments. The major thrust of entrepreneurial activities is to develop the entrepreneurial spirit within organizational boundaries, thus allowing an atmosphere of innovation to prosper. Nigeria, has long sought for a source of economic prosperity independent of western influence. This goal has not been achieved. One can argue that while the government's effort to spur entrepreneurship has been genuine, the entrepreneurial spirit has been enjoyed by a relatively small group of people, and there exists conditions that do not encourage but stifle the works of entrepreneurs.

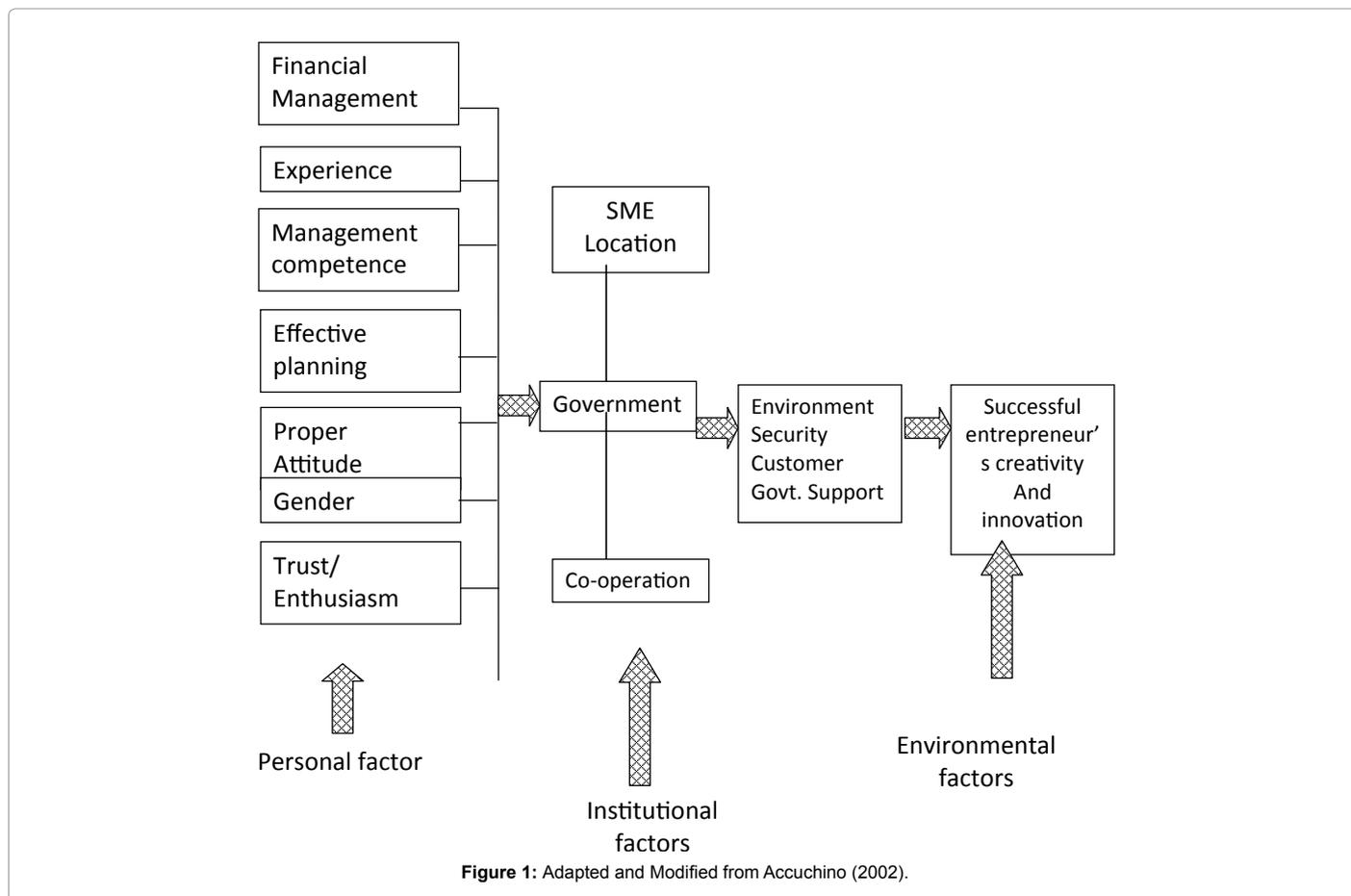
The Focus of this section is to examine the role of entrepreneurial creativity and innovation in Small Business growth and sustainability. The conceptual Framework for this study is as shown below (Figure 1).

Despite growing, body of literature in this field, there is still considerable uncertainty as to whether entrepreneurs are born or made. This has led to debate in the entrepreneurship academy about whether we can actually teach individuals to be entrepreneurs.

In essence, the environment that businesses operate is vital to the

success of the business. Over the years, the Nigerian government has embarked on an ambitious and long process of Economic, social and political reforms to improve the business environment and to increase economic growth and reduce poverty. Despite adverse conditions, the economy has been growing at an annual average rate of more than 4.5 percent (CBN 2012). The rate of growth of National economy has not been high enough to generate the number of jobs required. This brings up the issue of the majority to enter into private sector in the Form of entrepreneurship and small business, thus expanding the private and informal sector of the economy. Given the fact that Nigeria is one of the most rapidly growing populations and urbanizing countries in Africa, with total population of more than 150 million people, the implications of this rapid population growth are enormous. The entry into labour markets has doubled, thus causing strain on already worsening unemployment situation. The retrenchment exercise and the collapse of most state enterprises have thrown most energetic people out of sustainable and reliable income, all added to the problem of unemployment. It is the fact of the day that majority of retrenches remain in town trying to pursue other means of earning income. They resorted to self-employment ventures in the form of entrepreneurship and small business.

In Nigeria, the question of entrepreneurship and small business especially itinerant trading were evident even during colonial period. Hawking and peddling were according to Mfaume and Leornard [11], the standard expedients of those unable to find employment. Few of these petty traders were licensed while some seldom bother to comply with the law. Despite the obvious inefficiency of state policy, the attempt



to control itinerant trading through restricting the number of licenses persisted. It is highly recognized that entrepreneurship is considered as the driving force behind changes in the economy as well as business environment [12]. They recognized that the term entrepreneur has evolved over the years to be used to mean an individual or group of individuals who has the ability to see and evaluate the business opportunity existing in the environment and take advantage of it.

Norman and Zimmer [13] considered an entrepreneur to be a person with ability to take risk of organizing resources into business venture and manage it with the aim of being successful. The question of success here becomes "axis mundi", and the prime goal and vision of every entrepreneur.

Majumder [14] indicated that entrepreneurship can operationally be defined as the ability or attempt to create and manage a new venture. The author emphasizes that it is linked with the qualities and activities of entrepreneurs to see an opportunity and being able to benefit from it. In addition Norman and Zimmer [13] described entrepreneurship as a result of being disciplined and systematic in the process of applying creativity and innovation to needs and opportunities in the market place, and that it involves not only applying focused strategies to new ideas and new insights but also creating a product or service that satisfies customer's needs.

Schumpeterian takes a rather traditional view when he described entrepreneurs as a person who identifies a market opportunity and transforms it into a profitable economic value. In his view, entrepreneurship is seen as quality of a person which includes both attitudes (disposition), takes responsibility for risk outcomes and behavior. Other tradition such as those of Morris and Lewis [12] regarded entrepreneurship as something that requires both an entrepreneurial event and an entrepreneurship agent. Suffice it to include that entrepreneurs is a person or group of persons who compete through innovation, discover through networks, persuade resource owner and indeed bear risk.

It is unfortunate that the question of factors and environment necessary for entrepreneurship especially small business to prosper has not attracted much attention from scholars. One possible reason might be that many people take entrepreneurial activity as given and probably activity involving informal sector and private sector.

The recognition of the importance of entrepreneurial dynamics in corporate context is increasingly acknowledged in entrepreneurship literature. According to Bird [15] entrepreneurship implies the process of starting a new profit-making business, the process of providing a new product or service by an individual entrepreneur or small group of partners.

Churchill [16] defined entrepreneurship as a process of uncovering or developing an opportunity to create value through innovation. Hisrich and Peters [17] defined entrepreneurship as a process of creating something different with value by devoting the necessary time and effort. According to the 20th century's entrepreneurship theory, an entrepreneur is a person who creates innovations by taking calculated risks. In other words, an entrepreneur is a person who actively seeks opportunities to act by taking various risks such as financial, psychological and social risks.

In this study, innovation could be perceived as either the Firm performance achieved through entrepreneurial behavior. As such, entrepreneurial innovation can be through of as a continuum from incremental innovation to radical innovation. Incremental innovation

focuses on improving existing products and services to meet ever-more demanding customer requirements.

At this junction, it is important to emphasize that the bedrock of any nation's industrial development is entrepreneurial activities. Unfortunately, in Nigeria context, there is uneasy access to the conventional loan from the commercial banks to start-up a small or medium scale enterprise. The resultant effect is that the undeveloped situation in Nigeria tends to get worse while government seems incapable of taming the ugly incidence. The symptom of this situation is high poverty rate, high unemployment rate and economic dependence on foreign countries.

There are lots of entrepreneurship definitions in the literature. Most of them have focused on a broad range of different activities. According to Gartner [18], entrepreneurship consists of creation of organizations, carrying out of new resources and identifying opportunities with economic system or the exploration of opportunities.

In modern time, entrepreneurship has been accepted as a driving force behind the economic and social development of countries. In today's capitalistic system, largely grounded on free enterprise, entrepreneurs make an accelerative contribution to the economic development mostly through the creation of new resources and new technologies. The production increases and prosperity created by the entrepreneurs have positive effects on the economic development and social life.

Variouly, entrepreneurs have been described as bearers of risk, and agents that bring together the factors of production and organizers of innovation [19-22].

According to Shane [23], entrepreneurship implies patterns of thoughts, judgments and behaviors.

In essence, this review emphasizes that entrepreneurship has played an important role in economic growth, innovation and has improved the competitiveness of any nation.

Research Methodology

The fundamental purpose of this study was to examine the role of entrepreneurial creativity and innovation in small business growth and sustainability. The researcher identified five enterprises located in Lagos state, Nigeria with a sample size of fifty respondents (50) from each enterprise, making a total of two hundred and fifty (250) respondents, randomly selected.

Primary and secondary data were used for the study. Primary data were collected through the questionnaire, while secondary data were gathered from journals, books, magazines and other documents. The questionnaire instrument focused on a number of factors related to entrepreneurship development. These factors reflect the range of entrepreneurship management issues, running the gamut from gaining insight into issues affecting workflow and information flow among levels of the entrepreneurs. Throughout the study, our primary goal was to understand better the factors, processes, motivations and behaviors that support and encourage entrepreneurial spirits.

Reliability and validity analysis

We conducted factor analysis to evaluate the construct validity. Construct validity tested whether or not the measure chosen were true constructs for describing the event. In this case, if the constructs were valid, high correlations exist between items of the same construct. Item total correlation analysis was used to determine construct validity. The

item total correlation coefficients were significantly higher than zero ($P < 0.001$) suggested that these items measure the true construct of the Business growth and sustainability.

The Cronbach's alpha was used to measure the reliability coefficient. For reliability coefficient values, it was suggested that 0.80 is the minimum requirement for basic research. The variables used were highly reliable for data analysis.

Data Analysis and Results

Profile of respondents

From the data, most people entered into small business because of lack of adequate education and difficulty of finding formal employment (Table 1). These socio-demographic characteristics suggest that anyone can become an entrepreneur; however, there is slight difference in terms of age, sex, competence and level of capital leverage as some of the distinctive features among the groups of entrepreneurs when placed together. It can be argued that when capital, managerial and customer's information are put together, small business ventures can prosper.

In our data analysis, we adopted sixteen (16) variables for analysis using the Principal Component Analysis method (PCA), with varimax rotation. We extracted four factors from the analysis with an Eigen value of 1.00, which explained 71.87% of the total variance.

Table 2 above shows the result of the factor analysis. The factor loadings ranged from 0.859 to 0.583. The higher a factor loading, the more the test reflects or measures the indicators, as explained below:

Factor 1: This factor was represented by five variables with factor loadings ranging from 0.731 to 0.583. The indicators consist of layout of the organization, entrepreneurial participant, new project meetings, informal communication and mentality of the employees. In this case, the competency accounted for 54.74% of the rated variable.

Factor 2: In this case, we utilized four variables with loadings

ranging from 0.847 to 0.721. The indicators include knowledge of the market, encouraging the actions, reward of the personnel and Team work. This factor explained 10.34% of the rated variance.

Factor 3: This factor comprised of four variables, namely, availability of secrecy, innovative ideas, environment for creativity and diversity and identification of potential entrepreneurs. Factor loadings for these variables ranged from 0.859 to 0.721. A variance of 4.21% was explained by this factor.

Factor 4: This factor consisted of three variables, which include technically skilled labour, sponsoring the entrepreneurial projects and taking action. The factor loading ranged from 0.756 to 0.532. The variance explained by this factor amounted to 2.58%.

In this analysis, we identified four factors as key favorable environment for entrepreneurship development. These factors include; availability of secretly (0.859), knowledge of the market (0.847), technically skilled labour force (0.756) and layout of the organization (0.731). Hence, the entrepreneurial success depended on the awareness and ability of key managers or owners to explore and exploit the environmental opportunities.

Discussion

Entrepreneurship is vitally important to the economic and social development for Nigeria. Through innovation, entrepreneurs create new competitive markets and businesses which lead to job creation and have a multiplying effect on the economy.

Entrepreneurship empowers citizens and is required to any emerging markets to move forward and successfully integrate into the global economy. Evidence has shown that the most competitive nations are those that have the highest level of entrepreneurship activities. Small and medium size businesses tend to be the greatest creators of wealth in emerging economies. In essence, entrepreneurship is critical for Nigeria's future. Today, Nigerian government is getting more

Sex	Firm 1 n = 50	Firm 2 n = 50	Firm 3 n = 50	Firm 4 n = 50	Firm 5 n = 50
Male	35 (70%)	32(64%)	30(60%)	36(72%)	38(76%)
Female	15(30)	18(36)	20(40)	14(28)	12(12)
Age Group					
20 – 29	19(38%)	16(32%)	18(36%)	20(40%)	17(34%)
30 – 49	14(28)	15(30)	14(28)	13(26)	14(28)
40 – 49	11(22)	12(24)	10(20)	9(18)	10(20)
50 – 59	6(12)	7(14)	8(16)	8(16)	9(18)
60 – above	0 (0)	0 (0)	0(0)	0(0)	0(0)
Marital Status					
Married	24(48%)	18(36)	23(46)	25(50)	27(54)
Single	19(38)	29(58)	20(40)	19(38)	17(34)
Widowed	5(10)	3(6)	5(12)	4(8)	6(12)
Divorced	2(4)	0(0)	1(2)	2(4)	0(0)
Educational background					
School certificate	6(12)	7(14)	5(10)	6(12)	4(8)
NCE/OND	5(30)	16(32)	13(26)	12(24)	12(24)
B.Sc/HND	17(34)	12(24)	19(38)	17(34)	24(48)
M.BA/M.Sc	12(24)	13(26)	12(24)	12(24)	9(18)
Ph.D	0(0)	2(4)	1(2)	3(4)	1(2)
Duration in venture					
1 – 5 years	29(58)	23(46)	26(53)	25(50)	27(54)
6 – 10 years	10(20)	14(28)	12(24)	14(28)	12(24)
11 – 15 years	7(14)	8(16)	7(14)	8(16)	7(14)
16 – above	4(8)	5(10)	5(10)	3(6)	4(8)

Table 1: Socio-demographic characteristics of the sample.

S/N	Variables	Indicators			
		Factor 1	Factor 2	Factor 3	Factor 4
1.	Layout of the organization	0.731			
	Entrepreneurial participants	0.657			
	New project meetings	0.684			
	Informal communication	0.642			
	Mentality of the employees	0.583			
2.	Knowledge of the market		0.847		
	Encouraging the Actions		0.825		
	Reward of the Personnel		0.745		
	Team work		0.721		
3.	Innovative ideas			0.846	
	Environment for creativity and diversity			0.738	
	Identification of the potential entrepreneurs			0.721	
	Availability of the secretly			0.859	
4.	Technically skilled labour force				0.756
	Sponsoring the entrepreneurial projects				0.684
	Taking Actions				0.532
	Eigen values	5.93	3.56	2.73	1.59
	% of variance	54.74	10.34	4.21	2.58
	Cumulative percentage (%)	54.74	65.08	69.29	71.87

Source: Data Results

Table 2: Principal component analysis: varimax rotation factors.

involved in entrepreneurship development and encouraging youths to get involve in entrepreneurial activities.

Conclusion

Entrepreneurship is vitally important to the economic and social development of Nigeria economy. Through innovation entrepreneurs create new competitive markets and businesses which lead to job creation and have a multiplying effect on the economy. Entrepreneurship empowers citizens and is required for any emerging market to move forward and successfully integrate into the global economy.

From the study, we found that entrepreneurship and small business development and innovation are without doubt the future of Nigeria economic growth and sustainability. Because of their size and agility, they also represent the most dynamic and most efficient segment of national economy. They present solid base for improving macroeconomic indicators of a country by attracting direct foreign investments, decreasing unemployment rate, increasing gross added value and others.

To conclude, we found positive relations between entrepreneurship performance and the variables used in the analysis.

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