

ENTREPRENEURSHIP AND POVERTY REDUCTION

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Abstract

It is a matter of great concern that over 70% of Nigerians live below poverty line of less than one dollar per day. This has in no small measure contributed to the high crime rates, social upheavals and disturbances currently ravaging the country. As a matter of fact, every Nigerian has in the last three months, become at least 30% poorer because the dollar which was exchanging for N155 in November 2014, now goes for N215 or more. Although it is practically impossible to eradicate poverty amongst the people, it is, nevertheless, possible to reduce it to an appreciable level in society. Entrepreneurship holds the trump-card and can prove to be a veritable tool in this direction. This paper examines how entrepreneurship could be a formidable instrument in the fight against poverty. It explains fully the twin concepts of poverty and entrepreneurship, their essentials and effects on the citizenry and on the economy. Finally, the paper posits that no other measure or programme is more apt to deal with the very high level of poverty in Nigeria than entrepreneurship which has immense potential for employment generation, empowerment of the poor and wealth creation.

Keywords: Poverty, crime rates, social upheavals, society, entrepreneurship Citizenry, employments, wealth creation

Introduction

The Concept of Poverty

One of the major challenges facing the developing and underdeveloped nations of the world today is poverty which economists refer to as a situation of low income or low consumption. People can be referred to as being poor when their measured standard of living in terms of income or consumption is below poverty line. Poverty has been defined as the inability to attain a minimum standard of living. Aluko (1975) refers to poverty as a lack of command over basic consumption needs, which means, in other words, that there is an inadequate level of consumption giving rise to insufficient food, clothing and / shelter, moreover, the lack of certain capacities, such as being able to participate with dignity in society. Similarly, Olayemi (1995) refers to the poor as those having no access to the basic necessities of life such as food, clothing and decent shelter; unable to meet social and economic obligation; lacking skilful and gainful employment, and having few, if any economic assets and sometimes, lack self-esteem.

The World Bank Poverty Assessment Handbook (1990) categorised poverty as both absolute and relative. When poverty is said to be absolute, it is described as a lack of resources to meet the physical needs for survival, a lack of basic security, the absence of one or more factors that enable individuals and families to assume basic responsibilities and to enjoy fundamental rights. On the other hand, relative poverty can be categorised in relation to particular groups or areas in relation to the economic status of other members of the society which is interpreted as a lack of resources to achieve a standard of living that allows people to play roles, participate in relationships and live a life that is deemed normative of the society to which they belong. Poverty results from and even consists of a lack of basic securities, which not only include financial resources, but also education, employment, housing, health care, and other related aspects leading to deprivation. Poverty is widely understood as the condition of living on an income below a certain minimum threshold. The World Bank



defines those living on / under US \$2 a day as living in poverty, and those living on / under US \$1.25 a day, as living in extreme poverty internationally. It has been estimated that as at 2013, there were about 2.47 billion people in the world living in poverty with an income of USD 2 or less a day, most of them from developing or underdeveloped countries located in African and Asian continents. Nigeria emerged from colonialism as a poor country. Her situation has been weakened by poverty, disease and ignorance. This is inspite of the fact that the country is endowed with vast human and material resources to the extent that there should be no traces of poverty, but regrettably, the country enjoys poverty in the midst of plenty.

The country's economy is, rather, characterised by the paradox of growth without poverty reduction and the trickle-down effect of growth on the poor, as witnessed by her low Gross Domestic Product (GDP), low per capita income, high unemployment rate and high poverty index. It was reported by the World Bank in 1996 that poverty in Nigeria was becoming widespread and severe. According to Ocar (2003), Nigeria ranked number 148th in 2002 in the Human Development Index rating. It was further reported that Nigeria's basic indicators placed the country among the 26 poorest countries in the world.

The proportion of Nigerians living below the poverty line of less than one dollar per day has geometrically increased during the last two decades. For instance, in the year 2000, it was estimated that more than 70% of Nigerians were living below the internationally defined poverty line (Ocar, 2003). Furthermore, in the same year, both per capita income and per capita private consumption were lower than that obtained in the early 1970s when the country was revelling in the euphoria of the oil boom era. The per capita income plunged from \$1,600 in 1980 to \$270 in 2000 and the downward trend continues till date.

According to the Nigeria Economic

Report released in July 2014, the World Bank placed Nigeria among the five poorest countries in the world. This recent assessment by the World Bank on the situation of poverty in the world, where it ranked Nigeria third among the world's ten countries with extreme poor citizens is very worrisome and has once again provided reason to query what the government is doing about the endemic poverty in the land and why past government programmes aimed at poverty reduction have rather continued to increase poverty in the country instead of alleviating same.

From the assessment, the World Bank established that Nigeria with about 170 million population falls among countries with extreme poverty whose over 70% population live on \$1.25 (N200) or even less per day. Specifically, the report revealed that 7% of the 1.2 billion people living below poverty line in the world are Nigerians! This is very startling! The report stated thus:

The fact is that two-thirds of the world's extreme poor are concentrated in just five countries: India, China, Nigeria, Bangladesh and the Democratic Republic of Congo (DRC). If you add another five countries: Indonesia, Pakistan, Tanzania, Ethiopia and Kenya, the total grows to 80 percent of the world's extreme poor".

The above mentioned latest World Bank Report on a country blessed with vast, rich human and natural resources with exceptional opportunities for full development is very alarming and damnifying. It is indeed very frightening and unacceptable that a country which prides itself as the largest economy in Africa and the 26th largest economy in the world would be so highly rated in the global poverty index. The consequence has been manifesting in the high rate of crime and insecurity in the country.

Successive governments in Nigeria have realised that inadequate growth in the economy is the main cause of poverty in

Nigeria. They had, therefore, at various times and periods in the past introduced various poverty reduction programmes such as the Operation Feed the Nation (OFN); Structural Adjustment Programme (SAP); Green Revolution Programme (GRP); Family Economic Advancement Programme (FEAP); Directorate For Food, Road and Rural Infrastructure (DFRRI); and the National Poverty Eradication Programme (NAPEP) that recorded marginal impact on poverty reduction, despite stupendous budgetary allocations. These programmes failed to achieve their objectives apparently because of poor design and implementation, and based on this, the Federal Government of Nigeria under the administration of President Goodluck Ebele Jonathan launched a new poverty reduction programme based on lessons learnt from the past, aimed at reducing the level of poverty from 70 percent to 35 percent by 2015.

It was in realisation of the foregoing scenario that the Federal Government of Nigeria announced the inclusion of entrepreneurship education in higher institutions of learning, as a way of promoting entrepreneurship spirit among Nigerian youths, to take up self-employment after graduation instead of roaming the streets in search of non-existent white collar-jobs and paid employments. This has led to the launching of such programmes as National Directorate of Employment Scheme (NDE); and the Youth Enterprise with Innovation in Nigeria (YouWiN) which is an innovative business plan competition aimed at job creation by encouraging and supporting aspiring entrepreneurial young graduates in Nigeria to develop and execute business ideas. (YouWiN, 2012). The programme which is being funded and implemented in partnership with the organised private sector, when fully and vigorously implemented, is believed, will truly reduce poverty in Nigeria. Entrepreneurship, thus appears to hold the trump-card as a veritable tool in this fight against poverty.

In the remaining part of this paper, we shall examine how entrepreneurship can be a formidable instrument in this direction, by explaining fully the concept of entrepreneurship and its essentials and immense potential for employment generation, wealth creation and the reduction of incidence of poverty.

The Concept of Entrepreneurship

The concept of entrepreneurship was first established in the 1700s, and the meaning has evolved ever since. Many simply equate it with starting one's own business. Most economists believe it is more than that, and are generally agreed that entrepreneurship is a necessary ingredient for stimulating economic growth and employment opportunities in all societies.

Entrepreneurship is defined as the identification of a new business opportunity and the mobilization of economic resources to initiate a new business or regenerate an existing business, under the conditions of risks and uncertainties, for the purpose of making profits under private ownership.

Simply put in another way, entrepreneurship is a process which may develop a single entrepreneur or enterprise with the main objective of making profit by using scarce resources most likely under private ownership. According to Hodgetts and Kuratko (2004) entrepreneurship is a dynamic process of vision, change and creation. Coulter (2001) attempted a definition of entrepreneurship when he posited as follows:

entrepreneurship is the process whereby an individual or a group of individuals use organized efforts and means to pursue opportunities to create value and growth by fulfilling wants and needs through innovation and uniqueness, no matter what resources are currently controlled.

Thus, there is a consensus among entrepreneurship scholars that entrepreneurship is not just running a small business that already exists, but is rather

change management, creative thinking, opportunity seeking and innovativeness. Accordingly, entrepreneurship has been considered as self-employment. It is the key to the growth and development of local industries through the processing of local raw materials into finished and semi-finished goods for the domestic and foreign markets. It also promotes the utilisation of improved and cost-effective technology in small and medium-scale enterprises which enhances higher factor productivity at the local level, especially in low-income countries where the traditional rural economy is predominant.

Entrepreneurship offers a greater possibility of achieving significant financial rewards to an individual than working for someone else. It equally creates opportunity for a person to make a contribution towards the growth of the local economy. A few entrepreneurs, through their innovation, contribute to society as a whole. One example is entrepreneur Steve Jobs who co-founded Apple in 1976, and the subsequent revolution in desktop computers all over the world today.

In the developing nations today, successful small businesses have proved to be the primary engines for job creation, income growth and poverty reduction; hence, their various governments now view entrepreneurship skills development amongst the citizenry as a crucial strategy for economic development.

Most economists agree that entrepreneurship is essential to the vitality of any economy, developed or developing. This is so because entrepreneurs create new businesses, generating jobs for themselves and those they employ. In many cases, entrepreneurial activity increases competition and, with technological or operational changes, it can increase productivity as well. Entrepreneurs are responsible for the commercial introduction of many new products and services, and for opening new markets. A look at recent history shows that entrepreneurs were essential to many of the most significant innovations that

revolutionized how people live and work. From the automobile to the aeroplane to personal computers individuals with dreams and determination developed these commercial advances.

Nigeria is a land of vast and rich human and natural resources with exceptional opportunities for full development. There are creative, innovative and profitable possibilities which are always ever there waiting to be explored and plucked. In other words, the Nigerian business environment is saturated with lots of challenging opportunities. The opportunities are not in short supply. What is rather in short supply are entrepreneurs capable of capitalizing on existing businesses or of creating new ones. This dearth of skilled entrepreneurs is a fall-out from our past flawed and dysfunctional educational system which focused more on the production of graduates with little or no skills, basically trained for white collar jobs in the then colonial service and immediate post independence era. It was in a bid to correct this anomaly that the Federal Government of Nigeria in 2006 directed that the teaching of entrepreneurial skills be incorporated in all programmes offered in the nation's tertiary institutions of learning as a mandatory course. It was believed (and this paper's presenter believes in that regard) that this would engender the production of a crop of entrepreneurs with the appropriate attitude and skills which will spur them on the path of creativity, innovation and enterprise, thereby enabling them to be job creators rather than job seekers and hence address the twin problems of graduate unemployment and abject poverty in the country.

As stated earlier on, there are abundant creative, innovative and profitable possibilities offering a wide range of opportunities which are always ever there waiting to be explored and plucked. These diverse opportunities exist in the following areas for the imaginative, creative, inventive and innovative entrepreneurial minds:

- Stone and mineral based industry.

- Chemical and Allied Industry.
- Petroleum Industry (both upstream and downstream).
- Mechanical and metallurgical industry
- Electrical and Electronics industry.
- Forest-based and Agro-based Allied industry.
- Rubber and Leather-based industry.
- Tourism and Service industry.
- Water resources based opportunities
- Miscellaneous activities such as pharmaceutical, paper processing etc.

Reducing Poverty through Entrepreneurship Development:

The micro, small and medium enterprises (MS & MES) option

The Micro, Small and Medium Enterprises are entrepreneurial activities or ventures which can be described as vehicles for rapid industrialization, sustainable economic development, poverty alleviation and employment generation. A small and medium enterprise is defined as any enterprise with a maximum asset base of N500 million (excluding land and working capital), and with no lower or upper limit of staff. Every legal business activity is covered by the above definition except trading / merchandising and financial services. The Small and Medium Industries Equity Investment Scheme (SMIES) is a voluntary initiative of the Bankers' Committee approved at its 246th meeting held on 21st December, 1999 which requires all banks in Nigeria to set aside ten percent of their Profit After Tax (PAT) annually to be invested in small and medium enterprises as the banking industry's contribution to the Federal Government's efforts towards stimulating economic growth, developing local technology and generating employment.

Entrepreneurship development is one sure way of addressing poverty reduction in Nigeria as there is strong empirical evidence linking small and medium entrepreneurs with economic growth and poverty alleviation. Micro, Small and Medium Enterprises

obviously and significantly contribute to poverty reduction when they create employment through the start-up of new enterprises or the expansion of existing ones as by so doing, they increase social wealth through the creation of new markets, new industries, new technology, new institutional forms, new jobs and net increases in real productivity which ultimately culminates in increased incomes with higher standards of living among the populace.

Therefore, it is logical to posit that if the number of entrepreneurs engaged in Micro, Small and Medium Enterprises in Nigeria increases, the poverty indicators in the country would decrease.

The strategic importance of Micro, Small and Medium sized enterprises in national economic and industrial development and poverty reduction is widely recognized by many countries, developed and developing alike.

For instance, it has been reported that MS & MEs make up 91-93 percent of the total industrial establishments in such countries as Singapore, Taiwan, Thailand and South Korea. In these countries, contributions of MS & MEs to employment ranged from 35 to nearly 61 percent. In Malaysia, MS & MEs accounted for about 84 percent of manufacturing establishments while their contribution to total value added and employment was about 28 and 38 percent, respectively. Moreover, there have been evidence that MS & MEs link themselves with large and multinational companies as has been the case in Japan, the United States, the United Kingdom, Canada and Germany.

MS & MEs, therefore, remain a vital force in the manufacturing sector and their importance has increased rather than diminished in many countries. An ILO (International Labour Organisation) study in 2003 examined firms with fewer than ten workers and found that they generated 58% of total employment in Paraguay, 54% in Mexico and 53% in Bolivia. Coming nearer

home to our own country Nigeria, a survey conducted by the National Bureau of Statistics in 2010 revealed that the MSMEs sector supplied about 50% of the nation's Gross Domestic Product (GDP) growth and that 98% of the companies in Nigeria fell under the MSMEs category.

Conclusion

The concept of entrepreneurship is synonymous with MS & MEs because both represent as it were, the two sides of a coin. There is no way one can possibly discuss the significant contributions of MS & MEs to the economic and industrial growth of a country without mentioning the pivotal role which entrepreneurs and entrepreneurship play in the same direction. It is, therefore, clear that entrepreneurship development, nay, the development of Micro, Small and Medium Enterprises in Nigeria holds the ace to the employment creation and poverty reduction in the country.

Thus, it can be concluded that the development of appropriate and well-rooted entrepreneurship is the panacea to the alarming rate of unemployment and the strongest weapon in the fight against the embarrassing poverty level which, by the latest World Bank Report, has placed Nigeria among the five poorest countries of the world.

Recommendations

From the above investigations, the following recommendations are made:-

- It has been observed that weak infrastructure, lack of access to finance and inconsistent government policies constitute the biggest challenges to entrepreneurship development in Nigeria. Most often, small businesses in Nigeria resort to personal savings and borrowing from friends and family members to survive.

Entrepreneurs need cheap and long term funding to grow their businesses

- and engender the fortification of the base of the nation's economic pyramid. The government should, therefore, stop paying lip service to entrepreneurship development by granting soft loans at single digit interest rates to young entrepreneurs who should also be exposed to some form of training and skills development programmes. This would add a new impetus to government's drive to developing enterprises at the grass roots in order to create jobs, enhance growth and reduce poverty.

There is the need to impart the requisite entrepreneurship skills to the people, especially those at the grassroots and the millions of our unemployed graduates roaming the streets for white-collar jobs.

The youths should be trained and encouraged to be job creators and not job seekers. For instance, training the youths on how to operate the computers, the acquisition of hardwares, or softwares, skills and maintenance would enhance the prospect of the establishment of their own business centres, and by so doing, become self-employed and at the same time providing jobs for others.

Little drops of rain, they say, form an ocean. Both government and non-governmental organisations should take the lead by devising the means of ensuring that people are encouraged to establish businesses of their own. Doing this would not only assist in the reduction of unemployment and poverty in the land but would also lead to the much desired geometric growth of the economy.

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