

ENTREPRENEURSHIP AND POVERTY REDUCTION

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Abstract

This paper examines the role of entrepreneurship in bringing about poverty reduction. It investigates how entrepreneurial skills, competences, abilities and aptitudes can be used for poverty reduction. This paper also identifies some poverty reduction strategies adopted by the government in recent times and the role of entrepreneurship in economic growth, wealth creation and poverty reduction. The paper recommended among other things, that the government at all levels and non-governmental organisations should encourage entrepreneurship education because entrepreneurship is a central pillar to economic growth and development, as well as employment generation and poverty reduction.

Keywords: Entrepreneurship, Poverty reduction, economic growth, wealth creation, education, development

Introduction

Entrepreneurship, according to Omolayo (2006), is the act of starting a company, arranging business deals and taking risks in order to make a profit through the education skills acquired. Onuoha (2007) defines entrepreneurship as the practice of starting new organizations or revitalizing mature organizations, particularly new businesses, in response to identified opportunities. Richard (2008) defines entrepreneurship as something we are born with because it is about turning what excites us in life into capital so that we can enjoy it even more. Suleiman (2006) defines entrepreneurship as the willingness and ability of an individual to seek investment opportunities to establish and run an enterprise successfully. Entrepreneurship involves undertaking innovation, finance and business endeavours in an effort to transform innovations into economic goods. Nwangwu (2007) opines that entrepreneurship is a process of bringing together the factors of production which include land, labour and capital so as to provide a product or service for public consumption. Udu, Udu and Eze (2008) in Olawolu, Ebong, Oluwuo and Arokoya (2014) also define entrepreneurship as the act of creating a new combination that ends one economic order and clears the way for a new one.

According to Unachukwu (2009), the concept of entrepreneurship is associated with a number of activities including the following:

- a. Ability to create and build something from nothing
- b. Ability of having a vision matched with focus and determination of building an enterprise
- c. Skill for seeing an opportunity where others fail to do so.
- d. Ability to build a working team to complement your own talents and efforts
- e. Ability to aggregate, marshal and control resources judiciously
- f. Willingness and ability of innovativeness and creativity
- g. Willingness to undertake personal and financial risks.
- h. Ability to engage in activities despite all odds and in fact surmounting these odds and possibly turning them into your own favours (Olawolu, et al 2014).

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. However,



most scholars believe it is more than that. To some, an entrepreneur is one who is willing to bear the risk of a new venture if there is a significant chance for profit. Others emphasise the entrepreneur's role as an innovator who markets his innovation. Still, others say that entrepreneurs develop new goods or processes that the market demands and are not currently being supplied. An entrepreneur can also be viewed as a person, that wants to work for himself; it is sometimes synonymous with self-employment. It is a process through which individuals identify opportunities, allocate resources, and create value. This creation of value is often through the identification of unsatisfied needs or through the identification of opportunities for change. It is the act of being an entrepreneur which is seen as one who undertakes innovations with finance and business acumen in an effort to transform innovations into economic goods; hence, entrepreneurs see "problems" as "opportunities."

Entrepreneurship, therefore, by implication, is the act of being an entrepreneur, it involves all the activities and functions, undertaken by an entrepreneur. Entrepreneurship is believed to provide an important avenue for individuals to advance up the income ladder. For some, it may provide a better route than paid employment, while for others who may be disadvantaged when pursuing paid employment it may provide the only route. Entrepreneurs are charged with the responsibility of innovating new products, better production method, creation of markets and managing the production process. They are, in a nutshell, engaged in wealth creation. Financing, therefore, is needed by entrepreneurs to enable them carry out their functions effectively.

Why Become an Entrepreneur

1. Entrepreneurs are their own bosses. They make the decisions, they choose whom to do business with and what work they will do. They decide what hours to work, as well as

what to pay and whether to take vacations or not.

2. Entrepreneurship offers a greater possibility of achieving significant financial rewards than working for someone else.

3. It provides the ability to be involved in the total operation of the business, from concept to design and creation, from sales to business operations and customer response.

4. It offers the prestige of being the person in charge.

5. It gives an individual the opportunity to build equity which can be kept, sold, or passed on to the next generation.

6. Entrepreneurship creates an opportunity for a person to make a contribution. Most new entrepreneurs help the local economy. A few, through their innovations, contribute to society as a whole.

Characteristics of an Entrepreneur

1. Creativity: This is the spark that drives the development of new products or services or ways to do business. It is the push for innovation and improvement. It is continuous learning, questioning, and thinking outside of prescribed formulas.

2. Dedication: This is what motivates the entrepreneur to work hard, 12 hours a day or more, even seven days a week, especially in the beginning, to get the endeavour off the ground. Planning and ideas must be joined by hard work to succeed. Dedication makes it happen.

3. Determination: This is the extremely strong desire to achieve success. It includes persistence and the ability to bounce back after rough times. It persuades the entrepreneur to put extra effort. For the true entrepreneur, money is not the motivation. Success is the motivator; money is the reward.

4. **Flexibility:** This is the ability to move quickly in response to changing market needs. It is being true to a dream while also being mindful of market realities. A story is told about an entrepreneur who started a provision store, but customers wanted a barbing saloon as well. Rather than risking the loss of these customers, the entrepreneur modified his vision to accommodate these needs.

5. **Leadership:** This is the ability to create rules and set goals. It is the capacity to follow through to see that rules are followed and goals are accomplished.

6. **Passion:** This is what gets entrepreneurs started and keeps them there. It gives entrepreneurs the ability to convince others to believe in their vision. It cannot substitute for planning, but it helps them to stay focused and to get others to look at their plan

7. **Self-confidence:** This comes from thorough planning which reduces uncertainty and the level of risk. It also comes from expertise. Self-confidence gives the entrepreneur the ability to listen without being easily swayed or intimidated.

8. **Smartness:** This consists of common sense joined with knowledge or experience in a related business or endeavour. The former gives the person good instincts, the latter, expertise. Many people have skills they do not recognise. A person who successfully keeps a household on a budget has organisational and financial skills. Education and life experiences contribute to smartness.

Every entrepreneur has these qualities in different degrees. However, if a person lacks one or more, then these qualities can be learned. Or, someone can be hired who has strengths that the entrepreneur lacks. The most important strategy is to be aware of strengths and to build on them.

Poverty Reduction Strategies

Our focus here is on approaches to poverty

alleviation. Approaches to poverty alleviation are taken to mean strategies for poverty alleviation. These approaches or strategies are, however, very important for the design of poverty alleviation programmes because they constitute the guiding principles for the choice and design of programmes (Obadan, Fyingbasi & Uga, 2003).

Economic Growth Approach to Poverty Alleviation

The economic growth approach to poverty alleviation is based on the assumption that economic deprivation is at the root of all poverty and that non-economic causes of poverty are only secondary, arising from the primary economic causes. Under the economic growth approaches, attention is focused on macro and microeconomic policies and programmes that would ensure the rapid growth of the economy as measured by rates of growth in real per capita GDP or per capita national income, rates of growth in sectoral indices of production, rate of employment, consumer price stability, and so on.

Major macroeconomic policies that are important in this respect are fiscal (budgetary and tax), monetary (money supply and credit), foreign exchange (exchange rate), trade (import and export) and wage and income policies. Important microeconomic (or sectoral) policies involve incentive pricing, input subsidy, technology development and transfer, credit supply, efficient commodity marketing and distribution, industrialization, employment generation, and so on.

There are, however, serious controversies on whether or not economic growth alone, though necessary, is a sufficient condition for poverty alleviation. Those who hold the view that economic policies and, hence, rapid economic growth are all that is required for poverty alleviation (and, indeed, for poverty eradication), rely on the principle of the trickle down effect of economic growth. This principle holds that as economic growth

continues, the effects would progressively trickle down to the core poor and the most disadvantaged in the society. In fact, many policy measures would directly benefit the poor, favourable tax measures would directly benefit the poor; favourable import tariffs would reduce the cost of imported basic necessities to the poor; investment in rural infrastructure would directly benefit the poor, and, above all, various economic policies would benefit both the poor and non-poor, although there is no assurance that most of the core poor can take advantage of opportunities offered by various economic incentives.

Basic Needs Approach to Poverty Alleviation

Under the basic needs approach, poverty is seen in a broad perspective and policies and programmes are designed to tackle the wider causes of poverty. The first requirement is to identify the poor and their basic needs. These basic needs may be described as fundamental necessities which would differ for different types of poverty (chronic or transitory), for different parts of a country, and over different periods of time. But, most components of basic needs would include all or some of such basic socio-economic necessities as food and nutrition, health care, education, shelter, clothing, transport and employment. From the heterogeneous nature of basic needs, it is easy to see that policies and programmes for poverty alleviation under the basic needs approach should also be heterogeneous; some would be general while others would specifically target the poor. They should also be broad-based, covering economic, social and other dimensions of poverty in an integrated fashion:

- a. Economic component, to promote broad-based economic growth and create employment and income-generating opportunities for both poor and non-poor with the poor receiving special attention. Employment-generating projects may include labour-intensive public works

projects and support for micro-enterprises (e.g. through credit) which are normally labour-intensive;

- ii. Social services component, to provide education, health and sanitation services, clean water, nutrition, physical and socio-economic infrastructure, power supply, transport and so on. These programmes are often targeted at the poor; and
- iii. Safety-net component, to provide relief for the old, disabled and destitute and to provide targeted assistance to the transitorily poor.

Institutional arrangement for implementing basic needs programmes may involve the use of line ministries and other existing development institutions (appropriately reformed and strengthened to cope with the needs of poverty alleviation programmes), the creation of entirely new institutions, or combinations of both. The argument for using line ministries and other existing development institutions is that they are better adapted to operating large programmes that can reach larger population of the poor and non-poor in a more cost-effective manner than new institutions created to narrowly target the poor.

Rural Development Approach

In matters of poverty alleviation, the rural sector is often given distinct attention. In other words, the rural sector is often treated as a distinct entity in terms of strategies for poverty alleviation. There are many reasons for this. First, in most countries, a disproportionately high percentage of the poor live in rural areas. In Nigeria, the percentage is put at 73 (World Bank 1995). The argument, therefore, is that a sector that has such a high percentage of the poor deserves special attention. Second, food is the first of the basic needs of the poor and food production is essentially a rural business. Third, the types and mix of resources available for poverty alleviation interventions in rural areas are different from those in urban

areas. Fourth, the rural sector is usually the weaker sector relative to the urban sector, in the ability of its poor to take advantage of socio-economic opportunities for poverty alleviation. This implies that the rural sector usually requires more intensive effort than the urban sector for poverty alleviation.

Roles of Entrepreneurship in Economic Growth, Wealth Creation and Poverty Reduction

Employment Generation/Reduction of Unemployment

The process of entrepreneurship activity reducing unemployment situation in the economy is termed "Schumpeter effect". It has been observed that, unemployment is negatively related to new-firm startups, that is, as new businesses are established, employment of resources is stimulated and unemployment reduces substantially. In the same vein, it was noted that high unemployment in the society is associated with a low degree of entrepreneurial activities, that is, where propensity to set up enterprises is low, the rate of unemployment would be very high. The implication of the above assertions is that those who are unemployed tend to remain so because they possess lower endowment of human capital and entrepreneurial talents required to start and sustain new firms to keep them going. A low rate of entrepreneurship culture and skills in any society may be a consequence of the low economic growth, which also reflects higher levels of unemployment

Wealth Creation and Poverty Reduction

Entrepreneurship enables individuals to use their potential and energies to create wealth through the creation of goods and services. Poverty is a condition of living that is characterized by lack of the basic necessities of life. One of the major causes of poverty is unemployment and since entrepreneurship is preoccupied with employment generation, by extension, the generation of employment

would therefore reduce the level of poverty. Wealth, if created, would definitely reduce the incidence of poverty by empowering the citizens and increasing their access to basic necessities of life (food, clothing, shelter, security and education)

Reduction in Rural - Urban Migration

The burgeoning problems of urban unemployment and population congestion owing to the rapid rural-urban drift find its ultimate solution in the restoration of a proper balance between urban and rural economic opportunity. Rural entrepreneurial activity in generating employment is the link to achieving this balance.

Reduction of Crime Rate

It is strongly believed that unemployment is responsible to a large extent for the level of social complication of armed robbery, political thuggery, drugs peddling, prostitution, money laundering, currency counterfeiting, e-mail scam, and other such related crimes. When individuals are unable to satisfy their needs, most often, frustration occurs. These frustrations breed fraudulent practices. Employment generation, therefore, would reduce the level of frustration and consequently, crime rate.

Raising the Standard of Living

Entrepreneurship through job and wealth creation raises the standard of living of people. Owing to higher income earning and availability of disposable income, they can, therefore, afford the basic necessities of life such as housing, clothing and food, education, good health care delivery, etc.

Rural Development

Rural enterprises through employment generation stimulate rural development and the achievement of a meaningful level of broad economic development. It decreases inequality in the distribution of rural income and reduces urban-rural imbalances in income and economic opportunities.

Capital Formation:

One factor responsible for the poor state of an economy is low capital formation. When individuals are employed, they can afford to save out of their disposable income. Entrepreneurs can, therefore, facilitate the use of these savings thereby stimulating capital formation, which is the engine of economic growth and development.

Skills Acquisition and Increase in the Level of Productivity

Employment generated by entrepreneurship can be a training ground where an individual acquires and develops skills for creativity leading to a general increase in the level of productivity.

Conclusion

Entrepreneurship has been recognised as an important economic activity that is involved in providing unique product and process of doing things; it is the act of being an entrepreneur and has been playing the role of employment generation, wealth creation, poverty alleviation, among others. It is, therefore, considered to be the engine for growth and development especially in developing countries like Nigeria. Based on its central role in economic development, respective governments, non-governmental organisations, community-based organisations and other stakeholders should promote its development in order to reap its full benefits.

Suggestions

1. The government, non-governmental organizations and community-based organizations should encourage students and people wishing to study entrepreneurship-related disciplines.
2. The government and the universities should lay emphasis on entrepreneurship education because entrepreneurship is a central pillar to economic growth and development.

as well as employment/wealth generation and poverty reduction.

3. The federal government should increase the funding of small and medium scale enterprises (SMEs) in order to promote entrepreneurship and reduce poverty.
4. Government should also provide basic social and economic infrastructure / amenities in the rural areas

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