

Entrepreneurship Development on Poverty Reduction in Nigeria

Lawal Suleiman Gbenga¹, Rufus Emmanuel-Ubong Ita², Bassey Gift Eja², Eno Omini Ojah² & Cecilia James Okon³

¹ Department of Banking and Finance, University of Calabar, Nigeria

² Department of Accounting, University of Calabar, Nigeria

³ Department of Environmental Education, University of Calabar, Nigeria

Correspondence: Cecilia James Okon, Department of Environmental Education, University of Calabar, Nigeria.

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Abstract

The study investigated entrepreneurship development on poverty alleviation in Nigeria. Desk survey method was used to gather relevant information while chi-square tool was adopted to statistically analyze the relationship between entrepreneurship development and poverty alleviation. The findings revealed that entrepreneurial activities had a significant relationship with poverty alleviation; there was a significant relationship between entrepreneurship and economic growth and poverty alleviation; there was a significant relationship between entrepreneurship effectiveness and efficiency with poverty alleviation. Based on these findings, the study recommended that government should implement strategies that will help to support micro-credit and employment opportunities. The study recommended that entrepreneurs need to be innovative and creative and its activities should be a key component to increasing living standards.

Keywords: entrepreneurship development, poverty reduction, economic growth, effectiveness, efficiency

1. Introduction

Entrepreneurship is a dynamic process created and managed by an individual, the entrepreneur, who strives to exploit economic innovation to create new value in the market towards achieving a particular need. According to Aluko (2017), the most significant factor that has complicated the problem of graduate unemployment is the slow growth of the economy. Between 1975 and 2002, GDP grew at an average of only 3.3% per annum. Thus, the capacity of the economy to absorb the product of an over expanding tertiary institutions is severely limited. An entrepreneur possesses a complex personality, certain personality characteristics that makes him quite different and most of these entrepreneurial traits can be further developed in an individual (Stoddart, 2011).

According to Oyinlola (2013), much emphasis has been given to the existing association of entrepreneurship with economic growth, some studies indicate also a link between entrepreneurship and economic development which includes consideration of wealth distribution as well as a direct impact on poverty reduction. Recognizing this fact, the General Assembly of the United Nations Organization approved, in December 1993, a unanimous resolution acknowledging entrepreneurship as a social and economic force of foremost importance. The document presents entrepreneurial activity as a key component to increase living standards throughout the world and urges member countries to create programs and implement policies to foster entrepreneurship among their populations (Cerin, 2016).

It is easy to recognize the need for policies that can encourage and support entrepreneurship as a way to promote economic growth and development. Despite the existence of other mechanisms to facilitate such effects in an economy, the role of entrepreneurship in this context is crucial. Besides, presenting an average annual growth rate of real Gross Domestic National Product (GDP) per capital of 5.5 percent more than twice on the growth rate of

the OECD countries, these economies also managed to diminish the inequality of their income distributions and are still reaping the benefits of such achievements. Though macroeconomic analysis shows this performance as resulting from superior accumulation of physical and human capital, better allocation of resources, the acquisition and mastering of technology support by public policies in promoting macroeconomic stability (Agu, 2012).

Entrepreneurial activity has a considerable share of contribution in the economic performance and social improvement of these nations. In Nigeria, entrepreneurial business practices exist in both private and public (government sectors.) These entrepreneurship companies in business started as sole proprietors or registered new private/public companies, to raise capital for new business and to create new products, services and job opportunities (Fasua, 2006). No economy survives, grows or develops without efficient/effective entrepreneurial practice; Nigeria is no exception. Entrepreneurship involves the conceptualization, birth growth and development of new concerns or enterprises. The total process of economic change in Nigeria since the 1970s is partly a function of the entrepreneurial business opportunities into giant business organizations throughout the length and breadth of the country.

2. Literature Review

2.1 Theoretical Framework

2.1.1 The Neo-Classic Theory of Entrepreneurship

This is one of the famous theories of entrepreneurship up to date and the theory stipulates that there is no exploitation on the business platform. The theory is of the view that everyone who is conducting a particular business gets a particular profit margin which is line with his or her level of labor. Hence this means that entrepreneurs who work very hard at their various businesses will get more profits than others. The theory also views the level of knowledge of an entrepreneur as an important factor in whether or not that person will make a lot of profits. This means that if one entrepreneur has more knowledge in the type of business that he or she is doing than another entrepreneur, then that particular entrepreneur will be more successful.

2.1.2 Innovative Theory of Entrepreneurship

The innovative theory is one of the most famous theories of entrepreneurship used all around the world. The theory was advanced by one famous scholar, Schumpeter analyzed the theory proposed by Marshall, and he concluded that the theory was wrong.

Schumpeter believes that creativity or innovation is the key factor in any entrepreneur's field of specialization. He argued that knowledge can only go a long way in helping an entrepreneur to become successful. However, Schumpeter viewed innovation along with knowledge as the main catalysts of successful entrepreneurship. He believed that creativity was necessary if an entrepreneur was to accumulate a lot of profits in a heavily competitive market. Many business people support this theory, and hence its popularity over other theories of entrepreneurship.

2.2 The Concepts of Entrepreneur and Sustainable Productivity

The concept of the entrepreneur is not a new one in economic analysis. Desai (2013), who is frequently referred to in the literature as the earliest person to present comprehensive and systematic treatise in political economy, was probably the first to discuss the concept of the entrepreneur. To him, entrepreneurs are the farmers and the merchants but further distinguish between the owner and the entrepreneur, though they did not present a clear-cut distinction. There are at least three important conceptualization of the entrepreneur in orthodox economic literature. (Nafziger, 2017) First, it is seen as the fourth factor of production who coordinates and hires the others. (Waldras, 2014) Second, as the innovator, that is one who carries out new combinations and third, as the ultimate decision maker in the enterprise one who commits the capital and bears the risk.

There is a need to examine these definitions in some depth so as to find one that is not only satisfactory theoretically, but can also be used empirically in a field study. The definition of Gupta and Gupta (2013) discusses the entrepreneur as a profit maximiser who enters and leaves the industry as he sees fit. This definition is not adequate because it is not sufficiently rigorous for the researcher in the field to identify with certainty the person or persons in a business who coordinate and hire land labour and capital (Iwoke and Akpauko, 2014). In the same vein, the Schumpeterian definition of the entrepreneur as an innovator is in a way limited. This is because in less developed economies, where majority of the entrepreneurs are trading entrepreneurs whose, idea of innovation consists in opening of new markets, then this definition is useless. The arguments here was that in light of the probabilities of technical transfers from advance countries, undue emphasis should not as a matter of fact, be put on the development of entirely new combination. In this view, the Schumpeterian definition of conception of the entrepreneur could be adjusted, according to Nwoke (2013) to embrace "those who adapt and modify already existing innovations."

2.3 National Poverty Eradication Programme

National Poverty Eradication Programme (NAPEP) is a 2001 program by the Nigerian government addressing poverty in Nigeria and related issues. It was designed to replace the Poverty program. Poverty in Nigeria remains significant despite high economic growth. Nigeria has one of the world's highest economic growth rates (averaging 7.4 percent over the last decade), a well-developed economy, and plenty of natural resources such as oil. However, it retains a high level of poverty, with 63% living on less than \$1 per day, implying a decline in equity. According to a 2008 analysis, the program has been able to train 130,000 youths and engaged 216,000 persons, but most of the beneficiaries were non-poor. In late May 2011, the program website was targeted by Nigerian activists during the inauguration of Goodluck Jonathan.

3. Research Methods

The research study used the survey method of research design. The study area is Cross River State, one of the thirty-six states in Nigeria. The study was conducted in Calabar. The research work was done with probability sampling and the procedure is simple random sampling technique. The technique was conducted by writing names of entrepreneurs that are self-employed which make up the population and the sample size of 50 was adopted. However, the data collected through the sampling design was used in analyzing the data. Data were generated from major sources: primary and secondary sources. The data treatment technique that was used is chi-square.

4. Results

4.1 Test of hypotheses

The chi-square (X^2) is the statistical tool which is used to test the reliability of the research whether it is accepted or rejected.

4.2 Decision Rule

If $X_0^2 < X_t^2$, the researcher has the option to accept the null hypothesis (H_0) and reject the alternatives hypothesis (H_1) and if $X_0^2 > X_t^2$, the option is to accept the alternative hypothesis (H_1) and reject the null hypothesis (H_0). The hypothesis was tested at 5% level of significance (the desired level of significance is $\alpha.5$).

Table 1. Hypothesis I Entrepreneurship activities do not have any significant impact on poverty alleviation.

ITEMS	O	E	(O-E)	(O-E) ²	(O-E) ² /E
SA	30	24	6	36	1.5
A	20	24	-4	16	0.7
D	26	24	2	4	0.17
SD	20	24	-4	16	0.67
Total	96	96	0	72	3.04

Calculated value = 3.04

Degree of freedom = n-1

$$= 4-1 = 3$$

Critical value of 0.05 at df = 7.81

Interpretation: From the X_2 analysis of H_0 , the calculated value is 3.04, while the critical value is 7.81. The X_2 rule states that the calculated value is less than the critical value is less than the critical value ($3.04 < 7.81$). Therefore, the null hypothesis is upheld and alternative is rejected. It is concluded that entrepreneurship activities have a significant impact on poverty alleviation.

Table 2. Hypothesis II Entrepreneurship does not contribute to the economic growth and development (X_2) Analysis of (H_0)

ITEMS	O	E	(O-E)	(O-E) ²	(O-E) ² /E
SA	36	24	12	144	6
A	30	24	6	36	1.5
D	20	24	-4	16	0.67
SD	10	24	-14	196	8.17

Total	96	96	0	392	16.34
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Calculated value = 3.04

Degree of freedom = n-1

$$= 4-1 = 3$$

Critical value of 0.05 at 3 df = 7.81

Interpretation: From the X_2 analysis of H_0 , the calculated value is 16.34 while the critical value is 7.81. The X_2 rule states that since the calculated value (16.34) is greater than critical value (7.81), it is concluded that alternate hypothesis is upheld and null hypothesis is rejected. The analysis revealed that entrepreneurship contributed to the economic growth and development.

Table 3. Hypothesis III Entrepreneurship effectiveness and efficiency do not contribute to self-employment

ITEMS	0	E	(O-E)	(O-E) ²	(O-E) ² /E
SA	65	24	41	1681	70.04
A	3	24	-21	441	18.4
D	3	24	-21	441	18.4
SD	25	24	1	1	4.17
Total	96	96	0	2564	106.9

Calculated value = 106.9

Degree of freedom = n-1

$$= 4-1 = 3$$

Critical value of 0.05 at 3 df = 7.81

Interpretation:

From the X_0 analysis of H_0 , the calculated value is 106.9 while the critical value is 7.81. The X_2 rule states that since the calculated value (106.9) is greater than critical value (7.81). It is therefore concluded that alternate hypothesis is upheld and null hypothesis is rejected. The analysis revealed that Entrepreneurship effectiveness and efficiency contributed to self-employment.

5. Summary of Findings

The major finding of the study includes:

- 1) Entrepreneurial activities have significant impact on poverty alleviation.
- 2) Entrepreneurship contributed to the economic growth and poverty alleviation.
- 3) Entrepreneurship effectiveness and efficiency contributed to poverty alleviation.

6. Conclusion and Recommendations

Entrepreneurs are successful motivators of their employees and some entrepreneurs motivate by their example of sheer hard work. Also an entrepreneur's approach to risk taking situations is the willingness to accept personal responsibility for the consequences of his decision, regardless of whether the consequences are favorable or unfavorable. It is concluded that entrepreneurial activities have significant relationship with poverty alleviation, entrepreneurship contributed to the economic growth and poverty alleviation and entrepreneurship effectiveness and efficiency contributed to poverty alleviation. The following recommendations were made thus;

- i. For the entrepreneurs to be effective in creating wealth and employment opportunities, the government needs to create an investor-friendly environment encompassing stable macro-economic policies government needs to address urgently the dilapidated infrastructural facilities in the country, starting with the power sector, roads and railways, provide adequate security and give every citizen the sense of belonging.
- ii. The sector needs to be revamped with emphasis on science and technology. There is need to change the mind set of young people to embrace self-employment rather than waiting for non-existing government job.

- iii. Lastly, there is the need to ensure that those with innovative ideas are provided with the financial support to translate such ideas into reality.

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