

The appraisal of Entrepreneurship and SME on Sustainable Economic Growth in Nigeria

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Abstract: This paper examines the appraisal of Entrepreneurship and Small and Medium Enterprises (SME) on Sustainable Economic Growth in Nigerian. Survey research design was adopted. Data obtained were analyzed with means and standard deviation. Z-test statistical technique was used to test whether Entrepreneurship and SME as a profitable venture enhanced sustainable economic growth in Nigeria. The paper found that Entrepreneurship has contributed significantly to enhance sustainable economic growth of Nigeria through mobilization of individual savings and channeling of such in productive investment as a major source of domestic capital formation in economy. Consequently, it is recommended among others that there should be policies that will emphasis more on technical education at all levels, for the training and development of human capital capacity building across the country.

Keywords: Entrepreneurship and SME, Sustainability and Economic Growth.

INTRODUCTION

Entrepreneurship in Nigeria started when people in the rural areas and peasant farmers in various communities were producing more products than they needed, as such; they had to exchange these surpluses with those who needed them within their immediate and neighbouring communities [1]. SMEs in Nigeria are not only catalyst of economic growth and development, but are also the bedrock of the nation [2]. In every country, small and medium scale enterprises have been seen as a pivotal instrument of economic growth and development either in developed or developing economies [3].

The development of entrepreneurship is an important phenomenon in contemporary economies[4]. Entrepreneurship is strongly linked to small and medium sized enterprises (SMEs), which are the main developing force of market economies that provides the spring board for industrial development and economic growth [5]. Structural Adjustment Programme (SAP) adopted in 1986 in Nigeria, focusing a decisive shift of emphasis from the grandiose, capital intensive, large-scale enterprises to SMEs. The objective of SAP was to develop domestic linkages for rapid, sustainable industrial development [6]. Apart from SMEs having the potentials for ensuring a self-reliant industrial development, in terms of ability to depend on local raw materials, they also generate more employment per unit of investment and guarantee an even industrial development, including the rural areas [7].

Consequently, governments Nigeria are promoting the development of SMEs through increased establishment of schemes that render financial and technical assistances to entrepreneurs. In Nigeria, SMEs provide over 90% of employment opportunities available in the manufacturing sector and account for about 70 % of aggregate employment created per annum. In fact, SMEs have the potential to serve as engine for wealth creation, employment generation, entrepreneurial skills development and sustainable economic development of Nigeria as the creativity and ingenuity of SME entrepreneurs in the utilization of the abundant non-oil natural resources of this nation will provide a sustainable platform/spring board for industrial development and economic growth as is the case in the industrialized and economically developed societies [8].

It is observed that more jobs are created worldwide through SMEs than large scale enterprises per unit of energy consumed. Also, it is interesting to note that the United States of America, China, Germany, Japan etc (the large industrialized economy), significantly focus on SMEs as engine of industrial development and economic growth[9].

Moreover, Most of the studies dealing with the conditions of successful and/or profitable businesses have focused on large companies rather than SMEs.

Ebiringa, [10] on his study focused on the need to unmask the potentials of the SMEs sub-sector to

Nigeria's industrial and economic development still remains an issue of that deserve scientific research, hence the need for this study.

Hassan, [11] studied on curbing the Unemployment problem in Nigeria through entrepreneurial development. The study is motivated by the fact that unemployment problem like corrupt practices in Nigeria is a hydra headed problem and thus require the collective effort of all.

Offor investigated the impact of small and medium scale industries on the Nigerian economy, spanning from 1986 to 2010 [12].

Oyelola et al [1] discussed that entrepreneurship has been instrumental in economic growth, balanced regional development and job creation in most dynamic economies, where technology is changing at a faster rate and the product lifetime cycle is shrinking.

Ariyo [2] suggested that entrepreneurship has been beneficial because the Nigerian private sector comprising of small and medium enterprises provides diverse employment opportunities for 50 percent of the country's population and 50 percent of the its industrial output.

OBJECTIVE OF THE STUDY

With the thought in mind this paper seeks to assess the impact of entrepreneurship and SME as a profitable venture in enhancing sustainable economic growth of the country, Nigeria. To achieve this aim, the paper attempts to give a critical summary of previous work. Journals and articles produced so far on the related area.

REVIEW OF RELATED LITERATURE

Conceptual framework

The word entrepreneur is derived from the French word "entreprendre" meaning "to undertake". The definition of an entrepreneur has evolved over time as the world's economic structure has changed and become more complex. Since its beginning in the middle ages, when it was used in relation to specific occupations, the notion of the entrepreneur has been refined and broadened to include concepts that are related to the person rather than the occupation [11].

Entrepreneurship is the creation and management of a new organization designed to pursue a unique, innovative opportunity and achieve rapid, profitable growth [12].

Kanothi defines entrepreneurship as "an unrehearsed combination of economic resources instigated by the uncertain prospect of temporary

monopoly profit" [13]. Entrepreneurship also entails the act of risk-taking, innovation, arbitrage and co-ordination of factors of production in the creation of new products or services for new and existing users in human society[14].

The term "entrepreneur" was first used by the early 18th century French economist Richard Cantillon who defines the entrepreneur as the "agent who buys means of pro-duction at certain prices in order to combine them" into a new product [15, 16]. Schumpeter [17] added to Cantillon's definition by including the idea that entrepreneurs had to be leaders claiming that an entrepreneur is one who brings other people together in order to build a single productive organism.

Entrepreneurial therefore can be seen as a strong tower occupying the economic success of every country; it is a pillar upon which any economy can build upon for its growth.

Empirical Studies

The impacts of entrepreneurship and SMEs on economic development are varied across countries. Significant positive impacts seem to have been recorded in developed economies.

Kuratko *et al* surveyed entrepreneurs and SMEs in North America to determine what motivations categories lead to business success [18].

Reynolds *et al.* found that individuals ranging from 25 to 44 years were the most entrepreneurially active [19].

In another study on internet café entrepreneurs in Indonesia, Kristiansen *et al* found a significant correlation between age of the entrepreneur and business success [20]. The older (>25 years old) entrepreneurs were more successful than the younger ones.

Mazzarol *et al.* found that female were generally less likely to be founders of new business than male [21]. Similarly, Kolvereid found that males had significantly higher entrepreneurial intentions than females [22]. Kolvereid also found that individuals with prior entrepreneurial experience had significantly higher entrepreneurial intentions than those without such experience.

Findings from their studies show that motivation of entrepreneurs falls into four distinct categories: extrinsic rewards; independence/autonomy; intrinsic rewards and family security. These four groups of factors determine the motivation level of entrepreneurs which in turn impact on the success of their SMEs and its contribution to economic development of countries.

Importance of Small and Medium Enterprises (SMEs)

Empirical Studies have shown that SMEs have greater economic benefits compared to large firms in terms of job creation, poverty reduction and the general growth of the economy.

In most developing countries, micro and small scale enterprises account for the majority of firms and a large share of employment. In middle income countries, medium scale enterprises account for a relatively larger share of production and employment. In most countries, the trend toward larger firm size continues as per capita income increases. On the other hand, there is evidence that this divergence in labour productivity and wage rates between small and large firms narrows as industrialization proceeds, though in most industrialized countries like U.S. and U.K., the gap in wages paid by small and large plants has widened over the past twenty years. The importance of entrepreneurs in economic development involves increasing per capital output and income, initiating and constituting change in the structure of business and society; this change is accompanied by growth and increased output. Entrepreneurship facilitates the use of local raw materials and other resources. Being relatively labour intensive, enterprise creates substantial employment opportunities at low capital cost and being resilient, flexible, can better adapt to unexpected changes in the economic and financial environments [22].

Hypothesis

H₀: Entrepreneurship has not contributed significantly to enhance sustainable economic growth of Nigeria.

H₁: Entrepreneurship has contributed significantly to enhance sustainable economic growth of Nigeria.

METHODOLOGY

The population drawn for the purpose of this research work was all the entrepreneurial scale industries in Enugu. Since the population is infinite, the use of Topmann's formula for infinite population would be used to determine the sample size.

Sample and Sampling Techniques

The samples chosen are those which the researcher felt that they possessed the entire requirement that other members of the population does not have. The topmann's formula was used to get a sample size.

$$SS = \frac{Z^2(P)(Q)}{e^2}$$

Where:

Z – Abscissa of the normal curve that cuts off an area α at the tail (found in statistical tables which contain area under normal curve)

P – Estimated proportion of an attribute present in the population

q – 1-p

e – Desired level of precision expressed in decimal.

Using a 90% confidence interval; Z = 1.645

e = $\pm 10\%$ = 0.1

p = 0.5 (maximum variable)

q = 1 - 0.5 = 0.5.

n

$$n = \frac{(1.645)^2(0.5)(0.5)}{(0.10)^2} = 135$$

Here 135 entrepreneurial with their staffs were selected from the entire population for feasibility study. The sample selected for the study as sample was randomly selected from the entire population.

METHOD DATA ANALYSIS

Data collected for the study were analyzed by the researcher, mean score and standard deviation. The three research questions were answered hypothetically; the hypotheses were analyzed in the following order; Data relating to research question one, two and three were analyzed to determine mean score (x). A mean score of three (3) and above regarded as an accepted mean to test research question. While a mean score of 2.99 and below was regarded as rejection to test the research question. The three hypotheses were tested using Z-test. This was done to ascertain to test significance of different in mean between the two population mean when the sample size is large. The three null hypotheses were tested at 5% level of significance.

$$Z = \frac{x - \mu}{\frac{\sigma}{\sqrt{n}}}$$

Where x = sample mean

μ	=	Population mean
σ	=	Standard deviation
n	=	Sample size

Out of 135 questionnaires distributed, 106 were completed and returned. This represents 79%.

Data Analysis

Table-1: Summary of responses using five point Likert's scale

S/NO	Statements	SA	A	UN	SD	D	TOTAL
1	Entrepreneurship as a profitable venture has improved the income of and technical skill of the entrepreneurs.	50 (250)	42 (160)	4 (12)	7 (14)	3 (3)	106 (439)
2	Entrepreneurship as a profitable assist in reducing unemployment in the country.	60 (300)	42 (168)	4 (12)	0 (0)	0 (0)	106 (480)
3.	The contributions of entrepreneur are enormous to sustain the Nigerian economy.	50 (250)	44 (176)	0 (0)	2 (4)	10 (10)	106 (440)
4.	SMEs through their mobilization of individual savings and channeling of such in productive investment are a major source of domestic capital formation in the economy.	47 (235)	37 (148)	3 (9)	13 (26)	6 (12)	106 (424)
5.	Since the global meltdown, entrepreneurship is a central pillar to economic growth such like, employment generation and poverty alleviation in the country.	49 (245)	36 (144)	10 (30)	6 (12)	5 (5)	106 (436)
6.	The encouragement of entrepreneurship is a way to improve the standard of the living of the poor masses especially those in the rural areas.	41 (205)	47 (188)	5 (15)	11 (22)	2 (2)	106 (432)
7.	Entrepreneurship ensures the development of personal qualities such as creativity, risk-taking and responsibility and provides business skills that are needed in order to start a new business venture.	62 (310)	39 (156)	3 (9)	0 (0)	2 (2)	106 (477)
8.	Financial sector may experience set back when the country failed in terms of entrepreneurship venture.	37 (185)	55 (220)	0 (0)	9 (18)	5 (5)	106 (428)
9.	Small and medium enterprises account for the majority of firms and a large share of employment in the country today.	47 (235)	45 (180)	8 (24)	4 (8)	12 (12)	106 (459)
10.	Small and Medium Enterprises is an effective instrument in poverty alleviation programme.	49 (245)	32 (128)	12 (36)	5 (10)	8 (8)	106 (427)

Source: Field survey, 2014

Testing the above data

H_0 : Entrepreneurship and SME has not contributed significantly to enhance sustainable economic growth of Nigeria.

H_1 : Entrepreneurship and SME has contributed significantly to enhance sustainable economic growth of Nigeria.

$$\text{Mean of population } (\mu) = \frac{3 \times 106 \times 10}{10} = 318$$

$$\text{Mean of sample } (\bar{x}) = \frac{\sum x}{n} = \frac{4442}{10} = 444$$

$$\text{Standard deviation } (\sigma) = \sqrt{\frac{\sum (x-\bar{x})^2}{n}} = \sqrt{\frac{3788}{10}} = 19.47$$

$$Z = \frac{\bar{x} - \mu}{\frac{\sigma}{\sqrt{n}}} = \frac{444 - 318}{\frac{19.47}{\sqrt{10}}} = \frac{126}{6.16} = 20.45$$

DISCUSSION

Since the z-test calculated value is greater than the critical value, $20.45 > 1.96$ at 5% level of significance, we reject null hypothesis and up hold the alternative hypothesis which states that Entrepreneurship and SME has contributed significantly to enhance sustainable economic growth of Nigeria.

CONCLUSION

This paper is on “the appraisal of Entrepreneurship and Small Medium Enterprises on Sustainable, Economic Growth in Nigerian”. The paper assesses the contributions of entrepreneurship and SME as a profitable venture in enhancing sustainable economic growth of Nigeria. However, the results from our analysis has so far demonstrated that

entrepreneurship and SME has enhanced sustainable economic growth of the country ever since the global meltdown, it has been a central pillar to economic growth in the sense that it has contributed immensely in employment generation and poverty alleviation in the country as well ensure skill acquisition for the youth.

The encouragement of SME is a way to improve the standard of the living of both the rich and the poor especially those in the rural areas and with these and more entrepreneurship is a profitable and sustainable venture that can improve the Nigerian economy if more can be done to encourage it in our country Nigeria.

Recommendations

1. Entrepreneurs should appreciate the fact that funding is necessarily an essential ingredient but not a sufficient condition for success in enterprise.
2. The provision of infrastructure such as power, transport and water etc is vital in successful of every entrepreneur/enterprises therefore government vision of achieving sustainable economic growth geared to addressed the issue of inadequate infrastructural development in the country.
3. Government at all level should establish industrial parks in all part of the country in order to enhance facilities for entrepreneurial business.
4. Entrepreneurship as a pillar upon which any economy can build upon for its growth; therefore there should be policies that will emphasis more on technical education at all levels, for the training and development of human capital capacity building across the country.

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