

# Enhancing Productivity in Nigeria: From Subsistence to Transformational Entrepreneurship

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## Abstract

*The development of Nigeria as an emerging economy is one of the highlights of globalization, but currently, the economy has been rife with turmoil. Despite the abundance of natural and oil resources, poverty levels have climbed, and there are high levels of corruption, inequality, suffocating economic environment, insecurity and ethno-religious crises. The country is better placed to develop a well-diversified economy but is at the crossroads of a momentous transition into the diversified economy. However, there are early signs that public-private investments are creating positive effects and Nigerians are awakening to the economic benefits of commercial agriculture, the internet of opportunities and technology entrepreneurship. Together they are creating a new type of entrepreneurship that could become the country's source of socioeconomic value creation in the form of "Transformational Entrepreneurship." One of the recommendations is the need to have a multidimensional approach to entrepreneurial talent, innovation fostering, financial access, and training to foster entrepreneurial ecosystem with less constrained growth potentials.*

**To cite this document:** Igwe, P. A. (2018). Enhancing Productivity in Nigeria: From Subsistence to Transformational Entrepreneurship. Position paper presented to the Transformational Entrepreneurship Think Tank: Transformational Entrepreneurship in an International Context. *The International Centre for Transformational Entrepreneurship (ICTE)*, Coventry, UK, 27<sup>th</sup> - 28<sup>th</sup> March 2018. <https://www.eventsforce.net/cu/frontend/reg/thome.csp?pageID=1066993&eventID=4287>

## Introduction

“Transformational Entrepreneurship” (TE) emphasizes the role of entrepreneurs in the creation of companies that generate sustained increases in employment and socioeconomic development. It does so in a comprehensive way, exploring the potential impediments for high-skilled innovative entrepreneurs to realize their ambitions, but also create an environment where many potential entrepreneurs can opt for entrepreneurial activities instead of a salaried job. Transformational entrepreneurs and firms explore innovation by engaging in both technology exploitation and exploration to be effective and to survive in the short-term and prosper in the long run. Technology exploration refers to experimentation with new technologies, implying more uncertain returns unfolding over longer time frames (Geerts et al. 2018). TE open up several exciting research issues. For instance, how do characteristics of firms influence TE? Equally interesting is to study how new ventures undertakes TE. Such a focus will help to advance entrepreneurship research and help to integrate research on start-up, failure and success. Another opportunity could be to examine the relationship between TE and how organizations learn, including the interrelationship between TE and organizational capabilities, especially among firms in developing economies, where advance in technology is low and entrepreneurship barriers are high. Also, can TE help address some challenges of developing countries such as poverty, youth unemployment, insecurity, conflict, political crisis, etc? Nigeria as an emerging economy, presents a good platform to examine these relationships, including the influence of TE and firms’ productivity.

Nigerian economy is overwhelmingly dependent on oil, which accounts for 81 percent of government revenue and more than 97 percent of export earnings (Osolor, 2017). The last seven years, the economy has been rife with turmoil. Discussion of corruption, insecurity, high unemployment, a decline in oil prices and outputs have dominated the headlines. In 2016, Nigerian economy dipped into recession for the first time in more than two decades, attributed to a series of shocks. On the surface, many of the country's problems stem from tribalism, ethnicity and corruption which appears embedded in the society (Igwe et al., 2018). On the backs of continued decline in oil prices, foreign exchange shortages, a sharp reduction in oil production, power shortages, and insecurity across the country, Nigeria is better placed to develop a well-diversified economy. A range of initiatives devoted to promoting economic diversification is taking place as part of the government’s extensive reforms programme (Osolor, 2017) but the economic consequences aren’t likely to go away as the country is at the crossroads of a momentous transition into the diversified economy. To successfully make this transition, much of the growth-orientated policies needs to be reinvented. Many emerging economies likewise are constantly seeking to reinvent and diversify their economy to reduce dependency on traditional sectors and take advantage of new opportunities in our globalized world (Osolor, 2017). The oil-rich emirate of Saudi Arabia, which is well on the way to reinventing itself as a luxury tourist destination, is an example. Also, Chinese SMEs have played an important role in stimulating economic growth, increasing employment, expanding exports and promoting science and technology innovations (Chen and China, 2006).

There are early signs, however, that agricultural production, manufacturing and technology entrepreneurship are beginning to converge into a promising solution. The Agricultural Transformation Agenda (ATA) was initiated to enhance inclusive growth, promote rural employment, wealth creation, and diversification. The World Bank FADAMA III AF project which emerged from ATA focuses on improving the productivity of clusters of farmers engaged in the cultivation of staple foods such as rice, cassava and sorghum in eight selected states of Anambra, Enugu, Kano, Sokoto, Lagos, Ogun, Niger and Kogi. The Central Bank of Nigeria (CBN) approved N75billion loan to farmers in the 36 states under the Nigerian Incentive-Based Risk Sharing in Agricultural Lending (Premium Times, 2018). The loan guarantee scheme is a public-private sector initiative set up to guarantee 75 percent loans provided by Deposit Money Banks (DPB) to farmers as part of efforts to transform the country's agricultural sector. The public-private investments are creating positive effects and as Nigerians are awakening to the economic benefits of commercial agriculture, the internet of opportunities and technology entrepreneurship (for example, technology hubs & incubation centres in many locations in Lagos). Together they are creating a new type of entrepreneurship that could become the country's source of socioeconomic value creation in the form of "transformational entrepreneurship".

### **Statement of the Problem**

The development of Nigeria as an emerging economy is one of the highlights of globalization. African Economic Outlook (AEO, 2012) maintain that Nigeria's economic growth averaged about 7.4% annually from 2000 to 2010 and remained robust in 2011 at 6.9%, driven by the non-oil sector, particularly telecommunications, construction, retail trade, hotel and restaurant services, manufacturing and agriculture. Despite the strong economic growth, poverty levels in Nigeria have climbed – a paradox that may be partly explained by the structure of Nigeria's low-productivity economy (with a large informal sector), which is not geared to job creation (The Economist Intelligence, 2012) and corruption in political leadership. As a result, about 60% of the population live on less than 1 US dollar per day, and the unemployment rate in 2011 was 23.9%, up from 21.1% in 2010 (AEO, 2012). Nigeria has had a chequered history with the military and political administration. In March 1999, Nigeria ended 15 years of military rule with a democratic regime. The history of both military and political leadership has been that of self-service as many are mired in the pursuit of personal goals at the expense of broader national interests. Consequently, the emphasis has been on personal aggrandizement and self-glorification with the result that corruption has become a euphemism for explaining political leadership in relation to the management of national wealth (Ogbeidi, 2012: 3).

The consequences of the lack of leadership transparency are conflict, inequality, poverty and marginalisation which have strong geographical concentrations. There have been several studies on the link between poverty and conflict (Cramer, 2001, Draman 2003). Several theoretical and empirical studies show that in many economically backward states, poverty and conflict have a two-way relationship (Mohanty, 2006). The Niger Delta region in the South-South is host to oil and gas operations comprises of assets and infrastructure including 5,284 oil wells, ten gas plants, 275 flow stations and ten export terminals (Adejoh, 2014). The emergence of militancy in the region in the last 15 years and clamour for resource control has led to decline in oil production and refinery activities. As a result, a total of 10.9 billion US Dollars value of oil output was lost due to oil vandalism between 2009 and 2011 (Aishatu et al. 2016).

In the North, since 2011, militant Islamist group Boko Haram - has caused havoc through a wave of bombings, assassinations and abductions (BBC, 2016). The extremist sect has continued to demonstrate the ability to execute attacks in the Northeast and particularly in Borno State. To date, the federal government seems incapable of responding or ending Boko Haram activities. As a result, economic activities in Borno State have stalled, schools and hospitals have closed due to kidnappings and suicide bombings. Also, the north has the highest concentration of poverty with many who remain vulnerable to food insecurity and child malnutrition and the lowest early child education. In the eastern region, two major secessionist groups – Movement for Actualization of the Sovereign State of Biafra (MASSOB) and Indigenous People of Biafra has been campaigning for the recreation of an independent state of Biafra. The activities of these groups have led the government to declare the Indigenous People of Biafra a terrorist organization (Fox News, 2017). Across the Southeast, Middle belt and South-South, there have been deadly clashes between nomadic Fulani herdsman and local farmers especially in Benue, Yobe, Taraba, Nasarawa, Plateau, Ebonyi and Enugu. The herders have been forced from their more traditional grazing lands in the north by the Boko Haram insurgency, and the encroaching desert. This has put them in direct conflict with local farmers, resulting in death and the destruction of communities (BBC, 2017). According to the BBC Report, the Global Terrorism Index says Fulani

militants were responsible for almost 1,800 deaths during 2014 and 2015, and it considers the herders' raids as the second-biggest threat to peace in the country after the Islamist Boko Haram militants. In January 2018, fighting has been particularly heavy in Benue state, where 80 people have been killed and 80,000 displaced (BBC, 2018).

Another major challenge is corruption and political instability which is threatening the democratic institution. Nigeria is ranked 148 out of 180 countries in the Corruption Perceptions Index (2017). Among the institutional problems that have impeded sustainable development is corruption which appears embedded in the culture (Faleye, 2013). There has been crisis and divisions in the two major political parties, All Progressives Congress (APC) and People's Democratic Party (PDP) leading to calls for the formation of the 'third force' led by a former military leader and democratic president Chief Olusegun Obasanjo. The former president call has been based on his assessment of the current government poor understanding of the dynamics of internal politics, national divisions, inequality, suffocating economic environment, frightening security challenges and ethno-religious crises in the country. There has been division, loggerheads and confrontations between the national assembly (comprising the house of representatives and the Senate) and the executive arms on the one hand and the national assembly, opposition parties, state governments, judiciary and the Economic Financial Crime Commission (EFCC) charged with prosecuting corruption on the other hand. Aidis et al. (2012) argue that corruption constrains entrepreneurship by deterring entrepreneurs unwilling to engage in corrupt practices and encouraging unproductive forms of entrepreneurship. Regionalism, tribalism, sectionalism and ethnicity are other major problems facing Nigerian political environment (Ochulor, 2011).

Other challenges include – lack or poor quality of education, weak infrastructure, poor access to information, poor access to finance and weak institutions for doing business. The formal financial sector supplies only 7% of funding while over 80% of funding currently comes from either the entrepreneur's personal or family savings (GEM, 2013). The Central Bank of Nigeria (CBN, 2005) indicates that the formal financial system provides services to about 35% of the economically active population while the remaining 65% are excluded from access to such financial services. The power sector's operational efficiency and cost recovery are among the worst in Africa, supplying about half of what is required, with subsequent social costs of about 3.7% of GDP (World Bank, 2011). In the transport sector, Nigeria's road networks are in poor condition from lack of maintenance, and the country has a poor record in air transport safety (World Bank, 2011). The country is noted for its poor quality of primary education as well as low levels of tertiary enrolment (GEM, 2014). About 40% of children aged 6–11 years (about 4.7 million children of primary school age) do not attend any primary school with the Northern region recording the lowest school attendance rate in the country, particularly for girls (UNICEF, 2005). The problem is not just poor levels of school completion rates but that of skills mismatch (GEM, 2014). Weak business constraints that affect businesses are political, social and legal ground rules within which businesses operate, including the time it takes in dealing with government procedures, property rights and taxation, etc. The above commentaries and many more not covered are the highlights of the state of Nigeria and causes of the current economic turmoil.

### **Entrepreneurial Culture in Nigeria**

An entrepreneurial culture describes "a set of values, beliefs and attitudes commonly held in a society which support the notion that an entrepreneurial life system is desirable, and that, in their turn strongly support the search for effective entrepreneurial behaviour by individuals or groups" (Gibb, 1996, pp. 311). The Global Entrepreneurship Monitor undertook a survey of young Nigerians and found that the percentage of people running established businesses is very high at 16% – the third highest in Africa and fifth in global rankings (GEM, 2015). GEM report showed that the proportion who could be classified as "potential entrepreneurs" – those who believe that they have the relevant skill set to become entrepreneurs and who also can identify business opportunities – is very high at 82%, irrespective of gender. It could be argued that most of the entrepreneurial activities have been because of necessity entrepreneurship (NE) rather than opportunity entrepreneurship (OE) (see, for example, Davidsson, 2015; GEM, 2016-2017). The earlier refers to those who start a business as they do not have another means of generating income and the later refers to those who start a business because they spot an opportunity in the market which they want to pursue. The current debate on the role of entrepreneurship makes a distinction between 'OE' and 'NE'. It is believed that 'OE' tend to create high-growth businesses than 'NE'. It is believed that less economically developed or those nations with weak institutional frameworks have a higher proportion of necessity entrepreneurs and the current economic climate in many low/middle-income countries is creating a growing number of NE (Amin, 2010). While 'NE' in developing

countries range from street sellers to educated hopefuls with little access to formal employment, the one thing that unites them is the need to survive (Brewer and Gibson, 2014).

Most of the entrepreneurship in Nigeria is based on micro and small informal enterprises. These activities are mainly small informal activities with limited possibilities for movements into formal or high growth activities. Several studies show that majority of the SMEs operate in the informal sector (Igwe et al., 2018; Igwe, Newbery and Icha-Ituma, 2018). They are unregistered by the government and do not pay taxes. Nigeria aggregate productivity growth is reflected in an overwhelming number of one-person enterprises and micro-businesses and a shortage of medium-sized and larger establishments capable of generating high growth and employment. The total number of Micro-Small-Medium-Enterprises as at 2013 stood at 37,067,416 of which Micro-enterprises account for 36,994,578 (about 99.8 percent), Small (68,168), and Medium enterprises (4,670) (SMEDAN, 2013). A lot of these micro/small enterprises stem from lack of other opportunities in the labour market and do not have the potential to become dynamic or transforming. Meanwhile, dynamic firms face external and internal restrictions to grow and to create high-quality jobs. Nevertheless, there are many challenges facing informal and the dynamic firms, such as poor access to finance, weak infrastructure, lack of skilled labour and lack of market information. These obstacles add to the usual challenges such as insecurity, bribery, the amount of time in dealing with government regulation, power unavailability – which leave SMEs at a competitive disadvantage in the global market place (IFC, 2008).

To conclude, *TE* emphasizes sustainability approaches by which firms and entrepreneurs consider three elements of sustainability - economic, social and environmental responsibilities (see, for example, Igwe, Icha-Ituma and Madichie, 2018). One of the recommendations of this article is the need for multidimensional approach, integrating things like entrepreneurial talent, innovation fostering, financial access, and training to foster entrepreneurial ecosystem with less constrained growth for dynamic companies in developing economies. These will create opportunities for subsistence enterprises and linkages between large, medium and small enterprises in the production, marketing and supply chain and rural-urban linkages. Recognizing these links is crucial to designing entrepreneurship policy.

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