Entrepreneurship and economic development in Nigeria: the way forward

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Abstract: This chapter examines the extent to which the entrepreneurship phenomenon affects national economic growth and development, with a special focus on Nigeria. The meanings of 'entrepreneurship' and 'economic development' are explored through a brief review of extant theories. The process of economic development in Nigeria is reflected on from the early postcolonial agrarian economy to the present oil and gas economy, and it is observed that one vital factor militating against Nigeria's economic development is the absence of a truly Nigerian economic ideology, which can properly capture the unique configurations of the traditional Nigerian society. Because of the absence of reliable data on the total Nigerian entrepreneurial function, the experience of Uganda, which was based on the results of the 'GEM Uganda 2003' survey, is extrapolated and used in the examination of the likely influence of entrepreneurship on economic development in Nigeria. The chapter concludes that the development of entrepreneurial activities is vital in promoting Nigeria's economic growth and development. It therefore recommends that concerted effort be made to fashion out a truly Nigerian economic ideology, and that the Nigerian Government should improve the Entrepreneurial Framework Conditions to galvanise Nigeria's total entrepreneurial activities towards improved national economic growth and development.

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1 Introduction

Page (2003) of the Centre of Entrepreneurship Philosophy at Miami University, USA, remarked that:

> "We live in entrepreneurial times. Entrepreneurship is both a way of thinking and a way of acting. Attitudinally, it is an opportunity-driven mindset, a willingness to take calculated risks, a sense of passion and commitment for one's concept or idea, and a sense of confidence in one's ability to achieve results. Behaviourally, it is a process that emphasizes value creation, unique combinations of resources, and both pro-activeness and tenacity.....some observers are concerned that the current fascination with entrepreneurship is a fad, and that it will fade with time. The reality is that, in practice, entrepreneurship has always been with us." (pp.1–2)

This author has identified certain psycho-structural attributes that underlie the phenomenon of entrepreneurship, namely:

- a way of thinking and acting
- an opportunity-driven mindset
- a willingness to take calculated risks
- a passion for and commitment to one's ideas
- confidence in one's ability
- a penchant for value creation
- a sense of pro-activeness and tenacity.

Drawing from historical data as compiled by Elkan (1988), persons who typically possess such attributes in their personality have mostly been found amongst certain minority groups, such as the Chinese in South East Asia, the 'Leventis' in West Africa, the Asians in East Africa, the Parsees in India, the Samurai in 19th century Japan and the Nonconformists (especially the Quakers) in 17th century England. These groups of people did not share a common race or belief system that one could attribute their entrepreneurial aptitudes to. Nevertheless, one common circumstance about these groups is that they were all minority communities in the places they resided and it is likely that their perceived feelings of politico-economic insecurity must have conditioned their minds to focus all their mental energies to seeking economic successes towards the improvement of their economic well-being.

Our main objective in this chapter is to examine the extent to which a well-energised collective entrepreneurial consciousness and properly organised entrepreneurial activities can serve as engines for economic growth and development in Nigeria. We shall first reflect briefly on the meanings of 'entrepreneurship' and 'economic development' through a review of the relevant extant theories. While discussing economic development, we shall reflect specifically on the current Nigerian situation within the continent of Africa. We shall then examine the relationship between 'entrepreneurship' and 'economic development', focusing specifically on the extent to which entrepreneurship influences economic development. In doing this, we shall use the results of the 'GEM Uganda 2003' survey for analytical purposes. We shall finally focus on the 'way forward for Nigeria' and, draw lessons from the entrepreneurial situation in Uganda and the findings and conclusions reached in our 2003 survey of 'Rivers State Craft Organisations', we shall suggest policies and strategies that, if adopted, are likely to turn around the situation in Nigeria for the better.

2 Meaning of entrepreneurship

Irrespective of the controversies regarding the origins of theories on entrepreneurship (which we do not intend to delve into in detail here), most historians of economic thought agree that the earliest beginnings of entrepreneurial theory are traceable to the writings of the Physiocrats. Worthy of note, in this regard, are the works of Richard Cantillion in 1755 and the more sophisticated formulations found in the writings of J.B. Say in 1821 (as cited in Akeredolu-ale, 1975). The works of the neoclassical economist Marshall (1964), Schumpeter (1949) and Knight (1942; 1971), as well as the more recent arguments of Kirzner (1999), Shane and Venkataraman (2000) and Casson (2003), have tended to capture specific aspects of the complexities of the nature and manifestations of entrepreneurship. But what appears to be a problem is that there is hardly a generally accepted meaning or definition of entrepreneurship. In a detailed study by Gartner (1990), 44 different definitions were obtained, from which 90 different attributes of entrepreneurship were identified. Nevertheless, one point that has been filtered out of the review of the above works (which we believe is worth emphasising here) is that, contrary to the views of the Schumpeterian theorists who focus on the entrepreneurial process and that of the Knightian theorists who develop their theories around the individual, it does appear that, drawing inspiration from the Kirznerian postulation of 'entrepreneurial discovery process', entrepreneurship is a combination of the 'process' and the 'individual'. Shane and Venkataraman (2000) have made a similar observation when they stated that "entrepreneurship involves the nexus of two phenomena: the presence of lucrative opportunities and the presence of enterprising individuals".

Adopting a social psychological perspective and basing on our formulation of the 'entrepreneurial mind', we have argued elsewhere (Ahiauzu, 2003, p.3) that "Entrepreneurship, which is embodied in the entrepreneurial process that flows from the entrepreneurial mind, is what the entrepreneur does." Reasoning along this line of thought, it is certainly easier for one to deduce the meaning of 'entrepreneurship' from the nature of specific economic actions that flow from the mind of entrepreneurs, as are normally manifested in their actions. Entrepreneurs are innovators or developers who are capable of identifying specific and viable opportunities, exploiting them and turning them into viable and marketable ideas. Entrepreneurs add value in the form of time, money, effort or skills. They accept the risks of the competitive market with regard to the implementation of new ideas or exploitation of opportunities. Entrepreneurs see change as normal and healthy in society and as such, they normally focus their productive energy on doing things differently, rather than improving on what is already being done. They usually upset and disorganise the *status quo* and, as Schumpeter (1949) puts it, the task of entrepreneurs is 'creative destruction', as they always search for change, respond to it and exploit it as an opportunity.

There are certain issues that need to be addressed while examining the meaning of entrepreneurship in the context of developing countries. Leff (1979) has described some of these peculiar circumstances in the following words:

> "Finally, not are the markets for bearing risk and uncertainty even less complete in less-developed than in more-developed economies, but the absolute amount of uncertainty may be greater because of poorer information and rapid structural change. These considerations suggest that entrepreneurship in the LDC's (*i.e.* Less Developed Countries) is likely to involve more than the psychological capacity for perceiving new economic opportunities and entering them with an aggressive investment policy. The special conditions affecting risk and uncertainty, and the need to open new channels for factor mobilization and product supply are likely to impose additional requirements… (This) led to the conclusion that the demand for entrepreneurship in economic development would be particularly high. The concern was intensified because, on the supply side, the under-developed countries often appeared to be relatively lethargic, 'tradition–bound' societies, whose cultures seem inimical to innovation and economic expansion." (pp.48–49)

Similarly, the developing country entrepreneur has been described by Leibenstein (1968) as a 'market failure remover'. The author has, in this regard, argued that in developing countries with characteristic market imperfections, an entrepreneur has an additional role of overcoming both factor market and commodity market imprecations by providing an enabling atmosphere for the availability of factor inputs, as well as ensuring market outlets for the commodities produced. In other words, an entrepreneur in such a context is an eliminator or reducer of market imperfections. The relative importance of risk and uncertainty bearing *vis-à-vis* management functions is another issue that must not be ignored in this context. This is because when viewed from the perspective of advanced countries, there is the consensus that management functions should be accorded a greater weight in defining entrepreneurship (Knight, 1971). But because of the high level of uncertainty in the politico-economic affairs of developing countries, it does appear that greater emphasis should be placed on risk bearing and the management of uncertainty while conceptualising entrepreneurship in the context of developing countries.

In addressing the concept of entrepreneurship in the context of developing countries, Hirschman (1958) has distinguished between 'economic' and 'political' entrepreneurship. According to the author, economic entrepreneurship can be private sector entrepreneurship, embracing innovation, risk and uncertainty bearing and the management of private sector undertakings. Economic entrepreneurship can also refer to state entrepreneurship or public sector entrepreneurship that refers to innovation, risk and uncertainly bearing and the management of public sector enterprises, including public corporations. On the other hand, as explained by the author, political entrepreneurship refers to the capacity of the ruling class (or political leadership) to take development decisions and follow-up their implementation conclusively. The political capacity of a society, especially the ruling class, to take development decisions is as crucial as any of the two variants of economic entrepreneurship. This is because political entrepreneurship invariably influences and, to some extent, determines the performance of the other categories of entrepreneurship.

For completeness, we consider it useful here to briefly address the phenomenon generally known as 'social entrepreneurship'. As reported by Banks (1972), this term was originally coined by Robert Owen, the founder of the cooperative movement. Social entrepreneurship involves recognising a social problem and using entrepreneurial principles to organise, create and manage a related venture to bring about a change in the affairs of society (Mair *et al.*, 2006; Peredo and McLean, 2006). Social entrepreneurs, therefore, are individuals with innovative solutions to society's most pressing social problems. They are usually ambitious and persistent and seem to be possessed by their ideas as they passionately tackle major social issues, offering new ideas for wide-scale change. Social entrepreneurs are both visionaries and ultimate realists, as they are normally concerned with the practical implementation of their vision above all else (Elkington and Hartigan, 2008; Olebune, 2008). A few historically noteworthy people whose works exemplify classic 'social entrepreneurship' include Florence Nightingale (founder of the first nursing school and developer of modern nursing practices), Robert Owen (founder of the cooperative movement), Vinoba Bhave (founder of India's Land Gift Movement) and Mother Teresa of Calcutta. Unlike a business entrepreneur who measures performance in terms of profits, a social entrepreneur assesses success in terms of the impact the project is making on the well-being of members of society.

3 Theories of economic development and reflections on the Nigerian situation

Explaining the phenomenon of economic growth and development has been of interest to man for centuries. Holcombe (2003) has argued that studies on the issue of economic growth of nations predate Adam Smith. In fact, Akinrinade and Barling (1987) have asserted that for three decades, scholars on the development problematic did not arrive at a consensus as to the exact conceptualisation of 'development' nor its measurement. Nevertheless, Todaro and Smith (2006) have pointed out that:

> "The post-World War II literature on economic development has been dominated by four major and sometimes competing strands of thought: (1) the linear-stages-of-growth model, (2) theories and patterns of structural change, (3) the international-dependence revolution, and (4) the neoclassical, free-market counterrevolution." (p.103)

Walt Rostow, the great US economic historian who popularised the 'linear-stages-of -growth' model, argued while espousing his theory that the transition from underdevelopment to development can be described in terms of a series of steps or stages through which all countries must proceed (Rostow, 1960). 'Patterns of structural change' theorists such as Arthur Lewis focused on the mechanism by which underdeveloped economies transform their domestic economic structures from a heavy emphasis on traditional subsistence agriculture to a more modern, urbanised and industrially diverse manufacturing and service economy (Lewis, 1954). The 'international dependence' models view developing countries as beset by institutional, political and economic rigidities (both domestic and international) and caught up in their dependence on rich countries'. Within this general approach are three major streams of thought, namely: the neocolonial dependence model, the false-paradigm model and the dualistic-development thesis (Anderson *et al.*, 2000; Gray, 2000; Baran, 1975; Cohen, 1973; Singer, 1970). The central argument of the 'neoclassical counterrevolution' theorists is that underdevelopment results from poor resource allocation due to incorrect pricing policies and too much state intervention by overly active developing-nation governments (Bauer, 1984; Toye, 1987; Taylor, 1997).

Todaro and Smith (2006) have also observed that what they termed as the 'eclectic approach', which draws on all these classical theories, has recently emerged. In the foregoing theoretical formulations, the concepts of 'growth' and 'development' very often feature together. Although sometimes used interchangeably, the two concepts are not exactly the same. Colombatto (2006, p.243) emphasised that the economic literature "refers to growth when dealing with proportional changes in GDP or – more frequently – in GDP per capita; and to development when analysing living standards – including features that do not necessarily form the object of monetary measurement". Although Colombatto (2006) is only one of several theorists who have attempted to distinguish between economic growth and development, Nwinia (1993) nonetheless viewed both concepts as stages in national development. Let us now reflect briefly on the economic situation of Nigeria within the African continent.

Africa has been described by Tshikuku (2001, p.2) as "a broken-down continent, economically and socially". This description reflects the state of most African economies that are experiencing varying degrees of economic depression. There is no gainsaying that Tshikuku's (2001) portrayal aptly describes the Nigerian economy, which has experienced slow economic evolution since its political independence in 1960. The deep-seated economic concern that has pervaded Nigeria's post-colonial economic discourse is the challenge of development. Nigerian academics and economic analysts, as constituted by various academic and professional associations, have attempted through several academic and economic fora to ascertain the true level, impact and cause of poverty, unemployment, debt burden and corruption that have devastated the country's economic fortunes, which boomed in the 1960s and 1970s. There is no doubt that these economic issues have grave implications for all other spheres of the country's national life.

The challenge of Nigerian economic development is manifest in the persistent decline of the standard of living index in the country. This downturn has arisen out of the long-lasting challenge of developing a truly Nigerian economic ideology based on the real world of the indigenous Nigerian. The absence of a Nigerian economic ideology that captures the unique configurations of traditional Nigerian society appears to demean whatever economic policies that are initiated and imported from outside the country, which carry with them alien interests. Ake (1981) emphasised this point when he argued that one important impulse for change in African economies is the desire for development borne in the minds of both African leaders and their subjects alike. The author referred to this desire as a passion for an ideology and explained that although development has come to be an obsession within the continent, not many are clear about what it is. However, successfully diagnosing the problem requires an examination of the economic trend in the country since its independence. At this juncture, therefore, it is worth making a brief incursion into the past.

The early post-colonial Nigerian economy was largely an agrarian economy. During the 1960s, agricultural production in Nigeria increased at a rate of 2.7% per annum, which roughly marched the growth of population (Oliver and Atmore, 1994). There was also a steady progress toward self-sufficiency in food production and the country's cumulative agricultural export within the period assured a favourable balance of payments and, consequently, economic stability. The important role played by agriculture in ensuring growth and development for Nigeria was seen in such areas as employment generation, food supply and provision of raw materials in the agro-allied industry. The progress in the agricultural sector toward food security was, however, halted by the neglect of the sector by successive governments whose economic policies turned out to be counterproductive. Recent accounts in Nigeria and other countries in Sub-Saharan Africa have it that the long-term decline in the sector has been largely due to the declining investment in agriculture (Cheru, 2002). Judging by the index of the share of GDP, agriculture declined monotonically in Nigeria in two decades. This was the period of the first national development plan (1962–1968) and the fourth national development plan (1981–1985) (Osayimwese, 1983). The implications of this decline in agricultural production for Nigeria are massive unemployment, food insufficiency and the attendant poverty. It is noted that without a modernisation of the sector, no attempt at poverty modulation or eradication can be realistically contemplated to bring about improved welfare to the vast majority of the rural people, who hitherto derive their income and general well-being from agriculture (Cheru, 2002).

With the declining fortunes of the agricultural sector, Nigeria switched to her naturally endowed resources as the mainstay of her economy. Nigeria is rich with many precious metals, as well as petroleum and natural gas. The World Bank reported that

Nigeria, with a total of 2.256 million barrels of oil production per day, leads the pack of other African countries that have large stocks of oil residue (World Bank Report, 2004). Several of these natural resources appear to have lost their market value due to the availability of a more economical alternative resource – oil, which is a major energy source that still rules the global economy. Over the years, Nigeria has exhibited overdependence on oil revenue and neglected other viable sources. For instance, dependence on oil has eroded agricultural investments and earnings. The Nigerian government is noted to have earned about 80% of government revenue, 90% of foreign exchange (Onyige, 2001), 25% of GDP and 70% of budgetary expenditure from oil (Ozo-Eson and Ukiwe, 2001). This means that within the period, other sectors of the Nigerian economy contributed only about 10% to the country's foreign earnings. However, the paradox of 'want in the midst of plenty' plagues the country and has, therefore, raised pertinent questions on the efficiency and effectiveness of the managers of the Nigerian economy. Unfortunately, the report card shows that Nigeria, which is acclaimed to be the giant of Africa and confirmed to be the most populous black nation on earth, has not shown sufficient evidence that she is ready to dominate the African market.

Table 1 The GDP and per capita summary for selected African states

S/N	*Country*	*Year*	*GDP ($) billion*	*Per capita ($)*	*GDP growth rate (%)*
1	Egypt	2002	289.8	4,000	3.2
2	Ghana	2002	41.25	2,000	4.5
3	Nigeria	2004	114.8	900	7.1
4	Cameroon	2002	26.84	1,700	4
5	Sudan	2002	52.9	1,400	5.1
6	Libya	2002	33.36	6,200	1.2
7	Morocco	2002	121.8	3,900	4.6
8	Ethiopia	2002	48.53	700	3
9	Kenya	2002	32.89	1,100	1.1
10	Cote d'Ivoire	2002	24.03	1,400	–1.6
11	Tanzania	2002	20.42	600	6.1
12	Uganda	2002	30.49	1,200	5.5
13	Zimbabwe	2002	26.07	2,100	–13
14	Malawi	2002	6.81	600	1.7
15	Rwanda	2002	8.92	1,200	9.7
16	Benin	2002	7.38	1,100	6
17	Togo	2002	7.59	1,400	2.9
18	Burkina Faso	2002	14.51	1,100	4.6
19	Zambia	2002	8.24	800	2.3
20	South Africa	2002	427.7	10,000	3

Source: Compiled from 2004 CIA World Fact Book

We consider it useful here to assess Nigeria's economic performance within the African economy. The United Nations poverty indices show that Africa's GDP stands at $480 billion. This is a mere 1.5% of the global GDP of $31,500 billion (Obayuwana, 2005). Although it is acknowledged that the African countries' economic performance varies, a look at the overall picture shows that during the second and third decades of independence, the earlier modest growth in GDP per head of the population gradually slowed down and thereafter began declining (Obayuwana, 2005). The declining GDP is marked by low per capita income, as can be seen in Table 1. The figures indicate that, with a few exceptions, the GDP for most African countries, including Nigeria, is low. Analysis of the purchasing power parity indicates that the situation is not different, as the per capita income for Nigeria is low at $900. The figures above mark the country as largely poverty stricken, as 74 million Nigerians live on $1 or less per day, while the real income per head stands at $300 (Obayuwana, 2005).

Thus, after almost 50 years of independence, Nigeria is yet to successfully fashion an economic blueprint that will steer her out of the murky waters of underdevelopment. It is paradoxical that although blessed with abundant natural and human resources, Nigeria has not made the anticipated economic progress. Due to the incessant disruption in the political landscape and its attendant effects, the Nigerian economy has struggled on virtually all the critical economic indices and the attendant results include poverty, poor infrastructure, conflict and widespread corruption. In place of a long-term economic blueprint, successive governments have at various times resorted to interventionist economic programmes such as the indigenisation policy in the 1970s and the Structural Adjustment Programme (SAP) in the 1980s, with minimal success. Therefore, the critical issue that confronts Nigeria's economic pundits at the turn of the 21st century is how to improve on the economic parameters for growth and development. After almost a decade into the new millennium, it does not appear as though a solution has been found to this economic quagmire.

Only recently, precisely at the advent of the current democratic dispensation in 1999, the Nigerian economic growth and development discourse shifted focus almost exclusively to attracting new Foreign Direct Investments (FDIs) and rarely included the growing local capacity. The result, as in most African countries, is that the 'disorganised' private sector, which is a critical constituent for the creation and sustenance of the middle-class, is absent or in the hands of foreigners. Tshikuku (2001) has explained the situation in the following manner:

> "Very few African countries have an indigenous class of dynamic and powerful businessmen. The small and medium enterprise (SME) are almost everywhere in Africa, mainly in the hands of non-African aliens. Lebanese, Syrians, Pakistani, Greeks, Portuguese, Indians, Chinese… constitute, in proportions that vary from one African country to another, the bulk of the middle class in Africa." (p.12)

By 2003, it appeared as though the strategy of the government led by President Obasanjo was not achieving positive results, thereby necessitating the introduction of a "comprehensive economic reform program based on a home-grown strategy, the National Economic Empowerment and Development Strategy (NEEDS)" (Okonjo-Iweala and Osafo-Kwaako, 2007, p.7). But a review of previous economic experiments in the country suggests that the hype on the transformation of the Nigerian economy into one of the world's 20 most developed economies by 2020 (otherwise tagged 'Vision 20:2020') will merely end up being another ideological jamboree or a rhetorical expedition in futility, unless its focus is directed toward the development of the basic economic fundamentals for enterprise development – the development of a collective national entrepreneurial consciousness. Ake (1996) once argued that the conflict between the manifest and latent functions of the ideology of development is innately a problem for African economies because the leaders of independent Africa “made development the new ideology without necessarily translating it into a program of societal transformation” (p.9).

If the overall economic goal of the New Partnership for Africa’s Development (NEPAD), expressed in the NEPAD Action Plan, namely “to evolve and promote an Africa owned, led and managed framework for accelerated and sustainable growth and development of the African continent”, is anything to go by, it does appear that this is the time for Nigeria to move beyond mere rhetoric and fashion a truly home-grown programme for social transformation. Reflecting on the global situation, Plummer and Taylor (2003, p.558) have remarked that: “an important question that currently confronts economic policy practitioners is how to promote local economic growth in regions, cities and places, in a neo-liberal political climate under conditions of intensifying global competition”. This question forms the basis for the key economic governance and management objectives of the African Peer Review Mechanism (APRM), which proposes *inter alia* that member nations of the African Union (AU) that have endorsed the NEPAD Framework Document and Declaration should promote economic policies that support sustainable development as contained in the APRM guidelines, published in 2003. In the light of this, the 2005 report of the Commission for Africa in advancing policies for growth proposes that such policies should be private sector-driven, with each country charting its own strategy upon the assessment of its drivers for growth. The question we now turn to is this: to what extent is ‘economic development’ dependent on the ‘entrepreneurship’ phenomenon?

4 The nexus of entrepreneurship and economic development

The neoclassical model of economic development holds that economic development is largely a function of capital and labour and to increase development, an economy must invest in capital and labour. The importance of entrepreneurship is often overlooked in this model. Since the early 20th century, attempts have been made to draw a link between entrepreneurship and economic growth and development (Henderson, 2007). Perhaps one dominant factor that has highlighted the importance of entrepreneurship in economic development is the role of entrepreneurs in the commercialisation of new knowledge. Walter *et al.* (2003) have shown that most inventions have been commercialised not by innovation units in large companies, but by entrepreneurs. The authors cited the cases of the ‘Biro pen’ (by Laszlo Biro) and the ‘light bulb’ (by Thomas Edison). Both men were known to be inventors cum entrepreneurs. The conclusion that can be drawn from the foregoing arguments, which was succinctly stated by Dejardin (2000, p.2), is that “an increase in the number of entrepreneurs leads to an increase in economic growth”. Corroborating this view, Asc (2006), positing as the chairman of the research committee of the Global Entrepreneurship Monitor (GEM), a multicountry survey consortium, argued that there is a positive relationship between entrepreneurship and economic growth, although he identified that this is largely the case with 'opportunity' rather than 'necessity' entrepreneurship. Summing up this argument, Henderson (2007) emphasised that:

> "Entrepreneurship is increasingly being recognized as a primary engine of economic growth. By combining existing resources with innovative ideas, entrepreneurs add value through the commercialization of new products, the creation of new jobs, and the building of new firms. The Global Entrepreneurship Monitor indicates that nations with higher levels of entrepreneurial activity enjoy strong economic growth. In short, entrepreneurs are the link between new ideas and economic growth." (p.2)

Henderson (2007) identified that entrepreneurship arouses economic growth through the conception and conversion of knowledge, as well as the increased competition brought about by the birth of new enterprises. Drawing from the Australian experience, Plummer and Taylor (2003) similarly emphasised that two phenomena that enhance local economic growth are:

1 the knowledge base of the human capital

2 the presence of an enterprise culture within the economy.

They thus argued elsewhere (Plummer and Taylor, 2004) that local economic growth can be achieved if emphasis is placed on the building of human capital and entrepreneurship capacities. It is therefore reasonable to argue that since the global economy steadily moves towards a knowledge economy, entrepreneurship is critical for economic growth. But the question which has not so far been addressed is: what are the elements in the process through which entrepreneurship influences economic development?

As shown on Figure 1, the two elements that indicate the level of entrepreneurship in a country are 'Total Entrepreneurial Quality' (TEQ) and 'Total Entrepreneurial Opportunities' (TEO). These two elements are influenced by the prevalent 'Entrepreneurial Framework Conditions' (EFC). TEQ and TEO influence each other and collectively result in 'Total Entrepreneurial Activities' (TEA), which finally influence 'National Economic Development' (NED). Through a feedback loop, NED indirectly influences TEQ and TEO, respectively, as well as the EFC. The EFC, as adapted from GEM Conceptual Framework, include:

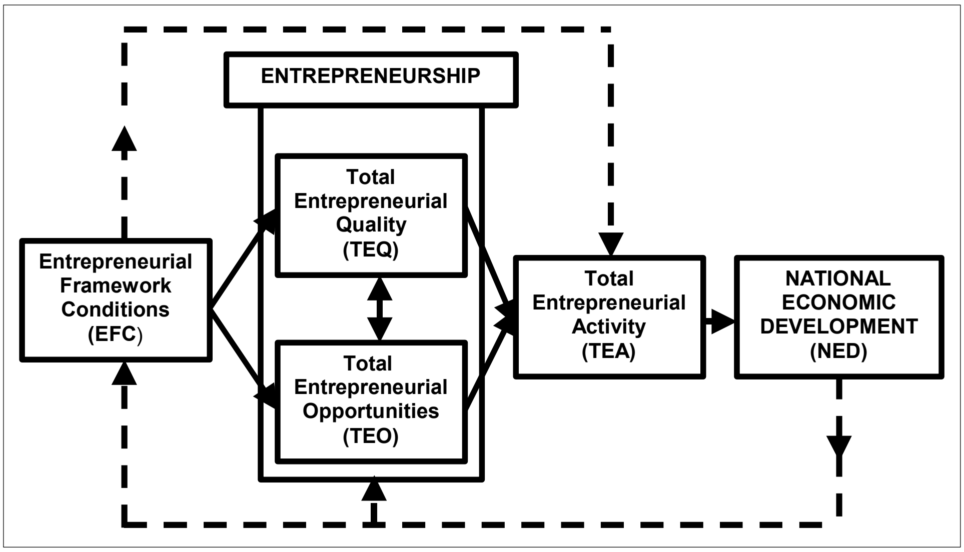
- government policies
- government programmes
- financial support
- education and training
- Research and Development (R&D) transfer
- commercial and professional infrastructure
- market openness
- access to physical infrastructure
- cultural and social norms.

The TEQ construct has been defined to include:

- skills, competencies or entrepreneurial capacity and networking (Gibb, 1998)
- innovativeness, skill, abilities and drive (Salvisberg, 2002)
- ambition, innovation capacity, networking and initiative (Guzman and Santos, 2001)
- motivation, innovation propensity and growth orientation (Kevin, 2005)
- entrepreneurial consciousness and commitment (Ahiauzu, 2003).

TEO refers to the availability of potent conditions that induce start-up firms and ventures, such as the commercialisation of new inventions and the existence of avenues for quick profitable ventures, supported by ready markets and 'business angels' (who are on hand to provide informal venture capital). TEA is measured by the number and frequency of new business start-ups and the ones that have grown to become new firms, as well as the outcomes of a general societal propensity for entrepreneurial thinking.

Figure 1 Entrepreneurship and economic development (a heuristic model)



Our model in Figure 1 postulates that NED is a function of TEA which, in turn, is a function of TEQ and TEO. This means that the higher the TEA in a country, the higher the level of NED. But the results of the GEM survey in 2003 in Uganda tend to cast a cloud on the validity of this argument. Some information on GEM may be necessary here. The GEM surveys originated in September 1997 as a research programme run jointly by the London Business School in the UK and Babson College in the USA. Teams from each country that participate in the GEM programme undertake entrepreneurship research based on a core set of standardised measuring instruments and methodologies. They each produce an independent report that explores in detail the nature, extent and effects of entrepreneurship within their country and includes comparisons with other nations. Additionally, one international document (GEM Executive Report) is produced, which summarises the findings across all participating countries. The first GEM report that appeared in 1999 only encompassed the G7 countries. Since then, the number of countries participating in the annual survey has grown yearly and has increased to 42 in 2007.

Table 2 TEA comparisons and the opportunity/necessity ratio

Country	*TEA*	*TEA opportunity*	*TEA necessity*	*O/N ratio*
Denmark	5.9	5.3	0.4	14.4
Italy	3.2	2.9	0.2	13.4
Spain	6.8	6.1	0.5	11.9
Iceland	11.2	9.4	0.8	11.7
Belgium	3.9	3.3	0.3	10.4
Sweden	4.1	3.8	0.4	10.1
Norway	7.5	6.7	0.7	9.9
Finland	6.9	5.8	0.6	9.2
Netherlands	3.6	3.0	0.4	8.5
New Zealand	13.6	11.5	1.7	6.9
Australia	11.6	9.9	1.6	6.4
Canada	8.0	6.7	1.1	6.4
Switzerland	7.4	6.3	1.0	6.1
UK	6.4	5.3	1.0	5.5
USA	11.9	9.1	1.7	5.5
Ireland	8.1	6.7	1.3	5.2
Singapore	5.0	3.9	1.0	3.9
Japan	2.8	2.0	0.5	3.8
Slovenia	4.1	3.1	0.8	3.8
France	1.6	1.1	0.4	3.2
Germany	5.2	3.7	1.2	3.0
Croatia	2.6	1.7	0.6	3.0
South Africa	4.3	2.9	1.5	2.0
Hong Kong	3.2	2.2	1.1	1.9
Chile	16.9	10.5	5.9	1.8
Argentina	19.7	11.9	7.5	1.6
Greece	6.8	4.2	2.6	1.6
Venezuela	27.3	16.1	11.6	1.4
Uganda	29.2	17.1	13.2	1.3
Brazil	12.9	6.9	5.5	1.3
China	11.6	5.5	6.1	0.9

Source: Walter *et al.* (2003)

Coming back to the results of the 2003 GEM survey, of the 31 countries that participated in the study that year, Uganda, having the highest TEA score of 29.2 (as shown on Table 2), emerged as the most entrepreneurial country in the world. This TEA score signifies that 29 out of 100 Ugandans – almost every third Ugandan – is engaged in some kind of entrepreneurial activity. Uganda is closely followed by Venezuela (27.3). Uganda far outstrips many of the world's largest economies. Argentina, the country with the third highest TEA, scored only 19.7. The USA, regarded as the 'country of entrepreneurship' scored 11.9, while Germany, Italy and Japan scored less than 6 each and France – the country with the smallest TEA – scored only 1.6. The mean TEA for all 31 GEM countries in that year (2003) is 8.8. These data imply, therefore, that in terms of the overall TEA measure, Uganda is nearly three times as entrepreneurial as the USA (obviously the world's largest economy), five times as entrepreneurial as the UK and Spain, six times as entrepreneurial as Germany and Singapore (each accredited with post-war economic miracles) and nearly ten times as entrepreneurial as Italy, Japan and France. Now, the question is: Why is Uganda still rated amongst the world's poorest countries in terms of annual per capita income?

In attempting to unravel the source of this contradiction, it is important to note the distinction between 'necessity' entrepreneurship, which is involuntarily motivated by necessity, and 'opportunity' entrepreneurship, which is motivated by the "pursuit of perceived opportunities" (Reynolds *et al.*, 2001, p.56). A closer examination of the research results presented in Table 2 shows that 'necessity' entrepreneurial activity, though substantially higher in developing countries, is still lower than 'opportunity' entrepreneurship in every participating country, even in Uganda. The main difference is in the ratio of 'Opportunity' to 'Necessity' (O/N) entrepreneurial activity, which is much lower in developing countries. Although Reynolds *et al.* (2001) identified a strong significant correlation between the rate of necessity entrepreneurial activity and various measures of economic growth, the authors concluded that the overall relationship between entrepreneurship and economic growth is generally complex. We are inclined to believe that this complexity arises from the fact that in analysing the economic growth and development of a country, one must, out of necessity, consider the politico-economic antecedents of the country, as well as the contributions of factors other than entrepreneurship. For example, following the 'traditional' view of economic growth espoused by the neoclassical economic development theorists, it would require large amounts of investment and capital growth to improve economic growth in countries such as Uganda that were so underdeveloped in the early 1980s and such an improvement is bound to take quite some time. There is no doubt, however, that the increased rate of entrepreneurial activities in Uganda since the early 1980s must have contributed immensely towards the acceleration of the process of economic development in that country. Moreover, as pointed out by Morrison (2000, p.63): "Throughout history, entrepreneurship has been found to be important and meaningful in society at points of transition, for example, traditional to modern, modern to post-modern, and state-controlled economies to free-market." Entrepreneurship, therefore, must *inter alia* have played such roles at some stages in Uganda's economic growth and development. Let us now turn to the situation in Nigeria.

5 The Nigerian situation and the way forward

It may be necessary at this juncture to point out that the main frustration that we face as researchers on 'entrepreneurship' in Nigeria is that, to the best of our knowledge, the sort of detailed and standardised information we have on entrepreneurship in Uganda and South Africa, arising from these countries' participation in the GEM surveys, does not appear to exist in Nigeria at present. It is sad to note that Nigeria, which is three times and six times as large as South Africa and Uganda, respectively, in population as well as in the availability of relevant human core skills and competencies, has hitherto not participated in the GEM surveys. The usefulness of taking part in such global surveys is that the situation in a country can be most properly understood in the context of a comparative analysis of the country's data and those of the other participating countries. Our frustration in this regard is rendered most poignant by the fact that most of the research work carried out on entrepreneurship and its impact on economic development in Nigeria are largely speculative and based on the sociotheoretic analyses of ideas drawn from the researchers' informal experiences and real-world observations, adopting analytical frameworks based on grand extant theoretical postulations. The relatively few empirical studies that have been undertaken have not been on a national scale and are on one-off aspects of entrepreneurship, especially on the microfinancing of small businesses (Iheduru, 2002), thereby producing largely partial and non-holistic explanations on the concomitants and ramifications of the phenomenon of entrepreneurship in Nigeria. These studies appear generally uncoordinated, to the extent that it is difficult to ascertain the TEA in the country within a period and enable the researcher to correlate the derivable empirical referents with the various measures of economic growth within the same period in order to systematically establish the extent to which the entrepreneurial situation in Nigeria has impacted or is likely to impact on NED.

What seems to be the main problems are that in Nigeria, the need to fashion a truly Nigerian economic system, which will reflect the country's traditional economic thought and circumstances, and the question of promoting local economic growth and development through entrepreneurship (both 'opportunity' and 'necessity') do not appear to have been appropriately factored into the national economic discourse, as the nation attempts to develop a model for economic revolution in a quest to become one of the world's 20 most developed economies by 2020. Consequently, although the government has, on the basis of Western economic thought and practice, initiated NEEDS, complemented by individual State Economic Empowerment and Development Strategies (SEEDS) which, according to Okonjo-Iweala and Osafo-Kwaako (2007, p.7), emphasises "the importance of private sector development to support wealth creation and poverty reduction in the country", it appears that the supporting framework for such a strategy has not been sufficiently addressed, popularised and psychologically accepted by the Nigerian people. Thus, it is yet to be seen how these strategies will be successfully translated into concrete action without the development of the appropriate mentality among the citizenry. It is relevant to note that the Commission for Africa (2005) challenges nations to unleash their entrepreneurial potentials and improve their investment climates.

Inasmuch as the operators of Nigeria do not appear to respond sufficiently to this challenge from the Commission for Africa, certain empirical evidence from our studies on entrepreneurship in Nigeria, particularly the results of our study of the Rivers State Craft Organisations of Nigeria – a study sponsored by the Niger Delta Development Commission in 2003 – suggest that a greater volume of 'necessity' than 'opportunity' entrepreneurial activities are taking place in both urban and rural communities in Nigeria (Ahiauzu *et al.*, 2003). One major finding of this study is the slow rate of growth of the start-up enterprises to the status of new firms. The main reason is that securing loans from financial institutions is difficult and, owing to the low level of interpersonal trust amongst relations and neighbours in the communities (unlike the situation in Uganda and South Africa), there is the virtual absence of 'business angels' (persons willing to provide informal venture capital) in those communities to financially support the growth of ventures. The entrepreneurs who were found to be progressing were those who confessed to the enjoyment of political patronage in various forms. We recorded a much higher incidence of 'necessity' than 'opportunity' entrepreneurship among our respondents. The other militating factors include most of the items that we identified in Figure 1 as the EFC, particularly the effects of government policies and programmes, support from financial institutions and tax burdens, commercial and professional infrastructure and access to physical infrastructure. Owing to the lack of appropriate education, training and exposure, most of the proprietors of craft establishments do not appear to possess the required entrepreneurial capacities and relevant organisational competencies. Except in urban areas, the level of economically viable entrepreneurial opportunities was generally low. A former start-up entrepreneur who folded up her business and joined party politics as a female leader in her local government area, emphasised during one 'focus group' discussion her conviction that the only viable industry in Nigeria was government and that the only route to that lucrative industry for persons like herself was party politics and not entrepreneurship.

In considering the way forward for Nigeria, we are inclined to believe that it is almost imperative for necessary actions to be taken towards the generation of detailed and reliable nationwide information on the entrepreneurship phenomenon in Nigeria (such as through Nigeria's participation) in the annual GEM surveys. Moreover, the findings of our 'Rivers State Craft Organisations' survey shed light on the necessary remedial policies and strategies that can put the Nigerian nascent entrepreneurs in good stead. One of the findings of the study, as reported above, has to do with the nature of the entrepreneurial climate and its influence on entrepreneurial activities in the communities. The elements of this climate are what we have referred to earlier in Figure 1 as the EFC. This finding tends to merely indicate the predicament of entrepreneurs in Nigeria. In developing countries, the provision of an enabling business climate is largely the responsibility of government at all levels. To positively condition this capacity, the competence and motivation of Nigerian start-ups and small-scale entrepreneurs, as well as improve entrepreneurial opportunities to consequently bring about improved TEA in the nation, the government and its agencies should take the necessary actions to effectively manage the Nigerian business climate. Regarding 'government policy and programmes', it is recommended that there should be improvement in the conceptualisation and administration of policies and, where possible, the participation of entrepreneurs in policy formulation should be enabled. Regulations within the fiscal system and public procurement procedures should be made to favour and encourage entrepreneurs. An institutionalised incentive scheme mainly for start-up and nascent entrepreneurs should be created and popularised. There should be increased financial support for entrepreneurs through sustainable empowerment programmes. Financial institutions with specific expertise and focus on entrepreneurs should be created by government to improve the availability and accessibility of financial services through microfinancing arrangements. Improving the entrepreneurial quality of start-up and nascent entrepreneurs necessitates the introduction of entrepreneurship courses at all levels of our educational system. Our tertiary educational institutions should be encouraged to increase the availability and affordability of short-term tailor-made entrepreneurship training programmes. Appropriate interfaces should be created to disseminate research findings to existing and potential entrepreneurs. Policies and incentive schemes that encourage and facilitate public-private partnerships in R&D should be put in place. Finally, the state of physical infrastructural facilities, as well as access to commercial and professional infrastructure, should be improved upon.

6 Conclusion

From the foregoing discussion and analysis, we can confidently conclude that entrepreneurship and economic development are largely inseparable, especially in developing economies. However, in Nigeria, owing to the current absence of valid empirical evidence from national surveys, one may find it difficult to establish this relationship between entrepreneurial activities and economic development, particularly now that the euphoria of oil and gas wealth tends to cloud the total consciousness of the managers of our national economy. Nevertheless, it is our opinion that it is now expedient for political and business leaders, economic policy developers and other key stakeholders in the Nigerian economy to undertake a national debate on the formulation of a truly Nigerian economic system based on our traditional value systems and philosophies, which will be applied to enable the Nigerian people to better understand the processes involved in providing a truly supportive environment for enterprise development. We are inclined to believe that Nigeria's economic future can be positively transformed from its depressing outlook if the nation is run as an entrepreneurial state that is first concerned about the development of a collective entrepreneurial consciousness at all levels of society. This calls for synergy between the public and private sectors, local communities and civil society organisations.

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