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Effect of Government Entrepreneurial Policies on Economic Growth: A Study Ondo of State, Nigeria.

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Abstract: *This study accessed the effect of government entrepreneurial policies on Nigeria's economic growth with Ondo State as a case study. Specifically, the study examined the effect of entrepreneurship policies on the productivity of small business owners. Three policy areas considered by the study are credit availability, supply of factor inputs, and training/orientation. Data were collected using questionnaires and responses were analysed with the aid of chi-square statistic. The study revealedthat only twenty-five percent of entrepreneurs have benefitted from government entrepreneurship policies and programmes in Ondo State. The study discovered that meeting the requirements for accessing government entrepreneurship programmes was the most serious difficulty encountered by entrepreneurs in benefiting from government programmes; and that government entrepreneurial policies have been ineffective due mainly to lack of continuity by successive governments. The study found that government policies at present do notimprove economic growth. The study concluded that achievement of the desired economic growth requires review of credit requirements to less stringent terms, harmonisation of government entrepreneurial policies with other fiscal and monetary policies, continuity of government policies by successive government, de-emphasis on political affiliation as condition for accessing government programmes and improved sensitisation of the public on various government entrepreneurial policies and programmes*

Key words:Entrepreneurial policies, economic growth, small and medium enterprises, entrepreneurship development.*

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I. Background

Traditionally, economic growth analyses are limited to the realm of macroeconomics (Romer 1990; Krugman 1991) although Schumpeter had linked economic growth to entrepreneurial development as early as 1934 (Carree&Thurik, 2003). Recent literatures have documented the important roles played by small and medium enterprises in the growth process of any nation (Okpara 2009; Kropp, Lindsay, &Shoham 2006; and Ogujiuba, Ohuche, &Adenuga, 2004). According to Ogujiuba*etal. (2004)* small and medium enterprises (SMEs) are known for generation of opportunities for employment, increase in per capita income and output, encouragement of efficient utilisation of resources known to be critical in the economic growth process of an economy and promoting regional development through spreading of industries. The Global Entrepreneurship Monitor (1999) noted that the level of economic growth of a country is significantly affected by the general level of entrepreneurial activities stating that no country has been discovered low level of growth with high level of entrepreneurial activities.

Despite the established linkage between entrepreneurial development and economic growth, there are enormous challenges confronting entrepreneurial activities in Nigeria. Ihugba, Odii and Njoku (2013) identified the numerous challenges faced by entrepreneurs in developing countries to include: lack of credit facilities (or funding problem), corruption, inconsistent government policies, multiple taxation, poor infrastructures, failure to adapt to changing business environment, low level of education, security issues, non-enforcement or weak patent laws, political crises, poor planning, poor products or service offerings among others. While Nigerian entrepreneurs may 'adapt' to some of these challenges, funding challenge or access to credit facilities has remained very critical as lenders continue to ration credit to small and medium enterprises and entrepreneurs due to perceived high level of risk and what Ogunjiuba*et al.* (2004) described as information asymmetry.

The identified challenges make the intervention of any serious government inevitable. Consequently, policies, programmes and initiatives have been developed and many agencies established by various governments to ensure that identified challenges are addressed. Earliest policy effort of government at developing entrepreneurial activities dated back to 1964 (Oghojafor, Okonji, & Olayemi,2011) while successive governments have made their own efforts towards entrepreneurship development. These include establishment of Nigerian Industrial Development Bank (NIDB), Industrial Development Centres (IDCs),Second Tier Securities Market, World Bank Small and Medium Enterprises I &II loan schemes, National Economy Reconstruction Fund (NERFUND), People's and community banks, government fiscal and monetary policies (like granting pioneer status to firms, income tax relief act, import duty relief, capital allowance, tax relief for investment in economically disadvantage areas, incentives to promote exports, compulsory sectoral allocation of credit by banks etc.), National Poverty Eradication programme, Bank of Industry (BoI), Micro finance banks, Small and Medium Industries Equity Investment Scheme (SMIEIS), Nigerian Agricultural and Rural Development Bank (NARDB) credit scheme, the Seed capital for small businesses, Entrepreneurship Development Centres, Small and Medium Scale Enterprises Development Agency of Nigeria (SMEDAN), the Youth Empowerment Scheme (YES), YOU WIN programme, subsidy reinvestment programme (SURE P); as well as numerous intervention programmes of the Central Bank of Nigeria (CBN) among others.

The reasoning of government in designing these programmes and policies is clear: government identifies the catalytic role SMEs and entrepreneurs play in the growth process and hence intends to encourage access to funds and create enabling environment to ensure their growth. Considering these numerous policies and programmes of government at different times and the immense entrepreneurial talents in Nigeria, (the Global Entrepreneurship Monitor, (2012) identified Nigeria as one of the most entrepreneurial countries globally with 35% of Nigerians population found to engage in at least one entrepreneurial activity. However, with the recession experienced Nigerian economy from the second quarter of 2016, there is a need to ascertain the effect of the various government policies in the economic growth process in Nigeria. Most of the existing literatures reviewed did not consider the effect of government entrepreneurial policies on economic growth (Mohammed & Obeleagu-Nzelibe2014; Afolabi 2013; Oni &Daniya 2012; Osotimehin, Jegede, Akinlabi&Olajide 2012; andOgujiuba*et al.* 2004, among others) except for Kpelai (2013) which concentrated on women entrepreneurs in Benue State. This study will expand on the work of Kpelai (2013) to include both men and women.

The objectives of this study are to:

i. determine the effect of government entrepreneurship policies on economic growth
ii. examine the factors hindering the effectiveness of government policies on entrepreneurship development

The remainder of this study is structured as follows: section 2 discusses the concept of entrepreneurship, some government entrepreneurial policies and programmes, entrepreneurship theories as well as empirical links between entrepreneurship and economic growth. Section 3 discusses methodology, section 4 contains analyses of results and findings while section 5 concludes the study.

II. Literature

Conceptual Review

The term entrepreneurship has witnessed many conceptual definitions. Schumpeter (1934) conceptualised entrepreneurship as innovation of new product, new methods, new markets or form of organization. According to him, entrepreneurship induces wealth creation through creation of demand for new innovations in the market. Kpelai (2013) defined entrepreneurship as the process of having ownership of and overseeing or superintending a new business undertaking or making an existing product or service that create value better, undertaking the risks that follow and taking the benefits and freedom therefrom. To Duru (2011), everything about entrepreneurship is self-employment which will generate employment opportunities for others. Shane and Venkataraman (2000) saw entrepreneurship as the formation and administration of a new establishment formed to seek a distinctive, unconventional opportunity and realise quick, gainful growth. They saw entrepreneurship mainly as 'discovery and exploitation of opportunities'. In the words of Aruwa (2004), entrepreneurship is the ability possessed by someone to undertake risks and combine productive factors to make goods and services.

Szirmai, Naude and Goedhuys(2011) identified three main conceptual approaches to entrepreneurship: the functional approach, enterprise performance approach and owner-operated enterprise approach. The functional approach sees entrepreneurs as the people with the responsibility for taking important decisions on investment, production, innovation, location or research and development. Hence, entrepreneurship is seen as not only owning and running one own business but also management of firms, enterprises or organisations. The second approach focuses on firms in making key investment decisions like establishment of subsidiaries, diversification into new operations, operating in a new country et cetera. The third approach sees an entrepreneur as a person who owns and takes active part in the management of his own business in the form of small and medium scale enterprises and self-employment. For purpose of this study, Szirmai*et al* (2011) third conceptual approach to entrepreneurship is adopted. Hence, entrepreneurship in this study refers to the process of owning and managing a business venture either in the form of small or medium scaled enterprises (employing other people) or just self-employment.

Entrepreneurship policies are policies, programmes and interventions of the government aimed at promoting entrepreneurial activities and enhancing their growth. They include government activities to create demand for entrepreneurs' products, government activities aimed at influencing supply of factor inputs, government activities aimed at easing access to fund (through intervention funds and creation of funding agencies), government activities aimed at improving competence and processes (training and extension services) and government activities aimed at encouraging people into self-employment.

Economic growth means a rise in the value of goods and services per head of the population over a period of time. It simply means that a country produces more in a given period compared to the prior time period. It represents an improvement in the production capacity of an economy from one period of time to another period and can be measured in real or nominal terms. The conventional way of measuring economic growth is the percentage increase in the real Gross Domestic Products. Gross Domestic Product is the total value of goods and services produced in a country in a year by all economic units.

Some Government Entrepreneurship Policies in Nigeria

Access to credit facilities has been one of the major challenges confronting entrepreneurs and small business owners in Nigeria. To address this challenge, government has established various funding institutions and put in place various policies towards ensuring that small business owners and entrepreneurs have access to required funds. Some of these include: small and medium industries equity investment scheme (SMIEIS) which according to Inegbenebor (2006) was designed to tackle the problems of financing Small and Medium Industries in Nigeria by demanding all banks to reserve 10 percent of their pre-tax profit for equity investment in SMEs; Small and Medium Scale Enterprises Development Agency of Nigeria (SMEDAN) established by the SMEDAN Act of 2003 to promote the development of Micro, Small and Medium Scale Enterprises (MSMEs) sector of the Nigerian economy; National Economic Reconstruction Fund (NERFUND) set up by the federal government to provide relatively long-term loans (5-10 years) to small and medium scale Enterprises at a very low interest rate to cushion the effect of funding deficit experienced by SMEs as a result of the high borrowing cost occasioned by the devaluation of naira that followed the adoption of Structural Adjustment Programmes (SAP) in 1986. There are also the Bank of Industry, the Nigerian Agricultural and Rural Development Bank, Nigeria industrial Development Bank, among others, to ensure ease of access to fund by SMEs. In addition, the compulsory sectoral credit allocation policy of the Central Bank of Nigeria (CBN) compelling deposit money banks to lend to sectors considered to be critical to national development. The establishment of Second Tier Security Market was an attempt to enable small businesses that could not meet the listing requirements of the first tier market have access to raise money through the capital market.

As a means of arousing entrepreneurial interest in students of higher institutions, the Federal government of Nigeria introduced entrepreneurship studies into the Nigerian educational system as a compulsory course in the early 2000's (Adeoye, 2015). The Centre for Entrepreneurship Development was established with the goal of making graduates self-employed, create employment opportunities for others and create wealth particularly in Sciences, Engineering and Technology (Thaddeus, 2012). In addition, the National Directorate of Employment and National Open Apprenticeship Scheme were established to promote vocational skill development in youth. To complement government efforts at promoting entrepreneurship growth through training and education, some financial institutions have embarked on training and sensitisation for SMEs. Example of this is the FirstBank SME forum where business development initiatives are discussed.

There are government policies aimed at promoting entrepreneurship culture and encourage people into self-employment. The N-power programme of the current Buhari administration in which graduates (NCE, ND, HND, B.Sc. holders) are employed on a temporal basis with the aim of nurturing them in selected fields and helping them to raise start-up capital is a good example. There are also programmes initiated by the immediate past administration of Goodluck Jonathan aimed at building entrepreneurship culture; these include the youth empowerment scheme, youth in agriculture scheme, YOU WIN etc. Ways through which government build entrepreneurship culture according to Waziri (2012) include programmes that develop business confidence, promotion of new ideas, provision of technological supports and Research and development. Export promotion incentives, ensuring safety of investment, good infrastructural facilities, business advisory service are other means through which government promote entrepreneurship (Tende, 2014).

The fertiliser subsidy programme of Goodluck Jonathan administration which has been continued by the Buhari administration is an example of government policy aimed at influencing supply of factor inputs to increase agricultural production. The intention is to reduce production cost of farmers, increase productivity and encourage more people to go into farming. There are also government interventions in the demand side where government takes up unsold products (particularly season, perishable products) with high preservation cost to ensure all year availability and ensure producers do not cut production for fear of glut in the market and preservation. This study focuses on government policies on credit availability, factor inputs and training and orientation

Entrepreneurship and Economic Growth

According to Carree and Thurik (2003) there is uncertainty surrounding the link between economic growth (or development) proxied by the employment level and entrepreneurial growth. There are two hypotheses on the relationship between entrepreneurial development and economic development: the refugee effect and the Schumpeter effect (Carree & Thurik, 2003). The refugee effect hypothesis stipulates that entrepreneurial activities are driven by unemployment, that is entrepreneurial growth is a response to underdevelopment. On the other hand, Schumpeter argued that entrepreneurial development reduces unemployment and leads to economic growth which has been termed the Schumpeter effect. Schumpeter (1934) saw entrepreneurship development as the reason for economic growth. While there is a strong reason to support the refugee effect in Nigeria, there are lots of scholarly works supporting the Schumpeter effect. The Global Entrepreneurship Monitor has found that a significant relationship exists between entrepreneurial development and economic growth. Naude (2013) argued that countries that recorded considerable reduction in poverty over the past thirty years have done so with increased level of entrepreneurial activities. Naude (2013) further noted that the contribution of entrepreneurship to economic growth and employment is not limited to underdeveloped countries alone but also developing and developed ones.Obamuyi's (2017) study found, using multivariate linear modelling, that very young entrepreneurs have less financing expectations and higher growth expectations than young adult and concluded that providing more financing opportunities to very young entrepreneurs can induce bigger expansion and growth of jobs.

Accessing the effect of government entrepreneurial policies and initiatives on economic growth in Nigeria, authors have found that government policies have not substantially affected economic growth.Tende (2014) studied selected EDP-NDE beneficiaries and found that government credit policies and programmes do not have substantial influence on entrepreneurial activities. Kpelai's (2013) study revealed a weak positive link between government policies and entrepreneurial activities of women in Benue State noting that government policies have not helped in reducing the operational challenges they face. Chukwuemeka (2011) found that the slow pace of entrepreneurial development in Nigeria is caused by poorly formulated and implemented government fiscal policies.

Structural Link between Entrepreneurship and Economic Growth

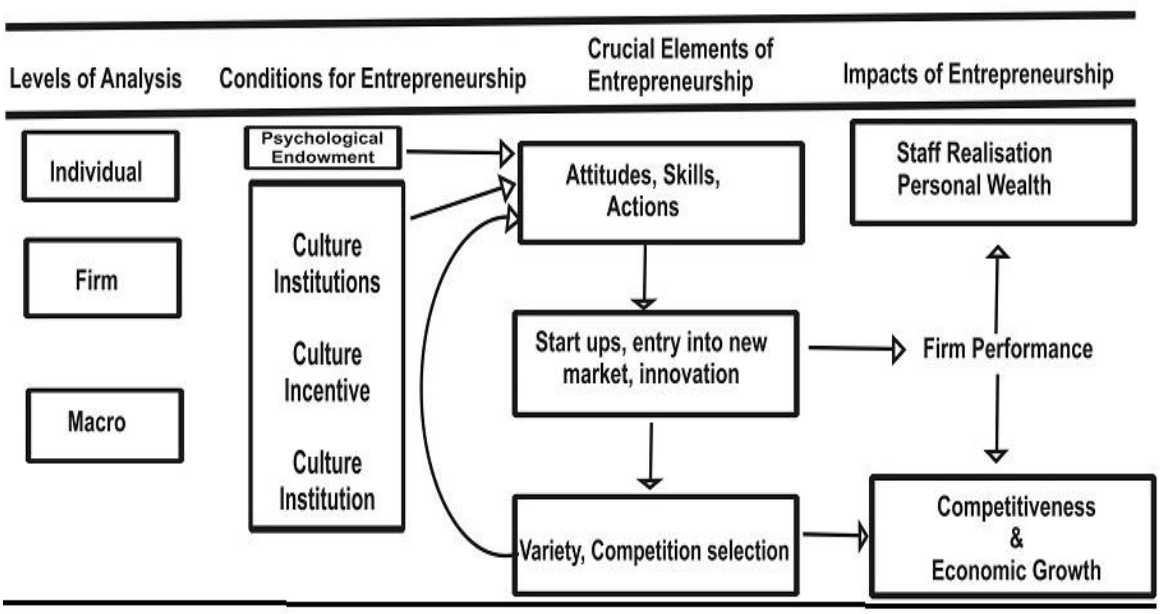

Figure 1: The wenneker and Thurik Model
Source: Adeoye (2015)

The model above highlights three levels of analysis: individual, firm and macro levels. Entrepreneurial activities start at the individual level and are prompted by the person's psychological endowments (attitudes, skills and actions). These entrepreneurial activities are affected by cultural factors, business environment and the general macroeconomic environments. The realisation of the entrepreneurial activities is at the firm level through business start-ups, entry into new markets and innovations. The pool of firms created leads to variety, competition and ultimately selection of most viable firms in what Schumpeter (1934) described as creative destruction. Entrepreneurial activities therefore increase the productive ability of the national economy (economic growth) and attainment of individual entrepreneur's personal wealth and self-realisation goals through enhancement of greater productivity and enlargement of industries and markets. The developments at the macro level, through feedback apparatus, induce better performance at the individual level.

III. Methodology

This study was carried out in Ondo State, Nigeria. Multi-stage sampling procedure was used to select participants for the study. Ondo state has three senatorial districts with eighteen local governments (six local governments in each senatorial district). One local government was randomly selected in each senatorial district; Odigbo, Idanre and Owo local governments were selected. From each local government, the headquarters were purposively selected due to their population, hence Ore, Idanre and Owo were selected as the research towns. 100 self-employed and small business owners were randomly selected in each town making a total of 300 respondents. The instrument of data collection used was questionnaire. The questionnaire was designed in semi-structured format with both multiple choice and open ended questions. Out of the 300 respondents selected, 264 responses were returned and used for the analyses resulting in a response rate of 88%. The data collected were analysed using frequency tables and chi-square test with $\alpha=0.05$

The hypotheses tested are:

H1: Government entrepreneurial polices on credit availability induce economic growth

H2: Government entrepreneurial policies on supply of factor inputs induce economic growth

H3: Government entrepreneurial policies on training and orientation induce economic growth

IV. Results and Findings

The data collected were presented and analysed using percentage tables and chi-square statistic.

Table 1: Beneficiary of any government entrepreneurship programme

RESPONSE	NO OF RESPONDENTS	PERCENTAGE
HAVE BENEFITTED	66	25.00%
HAVE NOT BENEFITTED	198	75.00%
TOTAL	264	100.00%

Source: Field Survey (2017)

Of the 264 respondents, 66 (25%) have benefited from government entrepreneurship programmes while 198 (75%) have not benefited from any government entrepreneurship programmes. This shows that penetration of government entrepreneurship policies and programmes is very low in Ondo State. The government programmes that have been of benefit to the 66 people and the challenges encountered in accessing government programmes are shown in Tables 2 and 3 respectively.

Table 2: Government entrepreneurship programmes benefited

RESPONSE	NO OF RESPONDENTS	AS A % OF PEOPLE WHO HAVE BENEFITED
CREDIT FACILITIES	28	42.42%
FACTOR INPUT	5	7.58%
TRAINING & ADVISORY	30	45.45%
SALE OF PRODUCTS TO GOVERNMENT	0	0.00%
OTHERS	5	7.58%

Source: Field Survey (2017)

Table 2 shows that 42.42% (28) of the people who have benefited from government entrepreneurship programmes got credit facilities while 45.45% benefited through training and advisory services. This shows that government entrepreneurship programmes on training and advisory services (including extension service, entrepreneurship education in tertiary institutions, training through NDE etc.) are the most beneficial to the people of Ondo State. This is closely followed by credit facilities which the beneficiaries got through Bank of Industry, subsidized interest and Central Bank of Nigeria (CBN) guaranteed facilities through deposit money banks particularly to farmers, and various CBN intervention funds. A very small number of people (7.58%) have got subsidized inputs from the government in the form of fertiliser and improved seedlings for farmers. None of the respondents have benefited from government efforts to stimulate demands while only 5 respondents have enjoyed other government entrepreneurship programmes other than those stated above. Only 2 people have enjoyed two or more of the government programmes. This again shows the poor penetration of government entrepreneurship programmes in Ondo State. For there to be meaningful growth through entrepreneurial development, entrepreneurs should have access to most of the government programmes at the same time.

Table 3: Difficulty in accessing government entrepreneurship programmes

RESPONSE	NO OF RESPONDENTS
INFORMATION & AWARENESS	150
POLITICAL CONSIDERATION	161
MEETING THE REQUIREMENTS	205
OTHERS	20

Source: Field Survey (2017)

The most serious difficulty people have in accessing government entrepreneurship programmes is meeting the requirements. Out of the 264, 205 respondents (77.7%) have this difficulty especially in accessing credit facilities. Some of the requirements that were difficult to meet include collateral requirement (bank guarantees, landed property, etc.), acceptable business plan, registration with Corporate Affairs Commission, preparation of statement of accounts and others. The second most serious challenge faced by entrepreneurs in accessing government programmes is actual or feared political considerations(61%). Some were schemed out for not belonging to the ruling party while others feared they would be schemed out and hence decided not to bother about those programmes. A referenced case was the subsidized fertiliser programme with beneficiaries collated through political party leaders. Lack of information and awareness about some government entrepreneurship programmes ranked third among major difficulties faced by respondents as 56.8% were not aware of any of the government entrepreneurship programmes. Other reasons cited include lack of interest on the part of the respondents, fear of exposing their businesses to the government for tax purposes, level of education, among others.

Table 4: Effectiveness of government entrepreneurship programmes

RESPONSE	NO OF RESPONDENTS	PERCENTAGE
VERY EFFECTIVE	30	11.36%
EFFECTIVE	28	10.61%
INEFFECTIVE	70	26.52%
VERY INEFFECTIVE	136	51.52%
TOTAL	264	100.00%

Source: Field Survey (2017)

Only 22% of the respondents considered government entrepreneurship programmes as effective in stimulating economic growth, while 78% of the respondents do not consider them effective. This indicates that not even all beneficiaries of government entrepreneurship programmes believe the programmes are effective in stimulating growth

Table 5: Factors Hindering Effectiveness of Government Policies

RESPONSE	NO OF RESPONDENTS	RANKING
CONFLICT OF POLICIES	150	3RD
LACK OF CONTINUITY	190	1ST
POLITICISATION OF POLICIES	170	2ND
INFRASTRUCTURAL DEFICIENCIES	130	4TH
POOR SENSITISATION	125	5TH
OTHERS	12	6TH

Source: Field Survey (2017)

Lack of continuity of programmes with change of government is the most cited factor hindering the effectiveness of government policies on entrepreneurship. Successive governments do not continue with policies and programmes initiated by their predecessors and this prevents the policies from having desired effects. Political considerations in selecting the beneficiaries of government programmes is another reason for their ineffectiveness. Most government programmes are politicised leading to selection of wrong beneficiaries to the detriment of the policies' effectiveness and the people who actually need them. There is also the problem of conflicting policies with some policies crowding out the effect of others. For instance, effort to boost local production of rice has been affected by continued importation until recently. Infrastructural deficiencies and poor sensitisation follow in that order of factors hindering effectiveness of government policies. For instance, the gains entrepreneurs would have made from subsidised inputs and subsidised interest loans have been off-set by increased operational cost due to unavailability of power, poor roads, poor storage and preservation system. Attitude of beneficiaries towards government programmes (particularly credit facilities which are often seen as share of national cake), poor monitoring of government programmes, corruption on the part of officers in charge of government programmes are other factors mentioned as hindering the effectiveness of government policies.

Test of Hypotheses

H1: Government entrepreneurial polices on credit availability induce economic growth

X_1^2=34.9, df=1, α=0.05 critical value 3.841

The calculated chi-square value is greater than the alpha value which means that the hypothesis that government entrepreneurship policies on credit availability induce economic growth is rejected. Hence we conclude that government policies on credit availability do not induce economic growth. This implies that the various government credit facilities to entrepreneurs through established agencies; monetary policy actions of the CBN through deposit money banks on cost, direction and availability of credits; intervention funds from the CBN etcetera do not induce economic growth in Nigeria. The possible explanations for this are the factors highlighted in Tables 3 and 5. Government needs to ensure that the beneficiaries of the credit programmes are those who actually need them to stimulate their productive capacity and not political followers.

H2: Government entrepreneurial policies on supply of factor inputsinduce economic growth

X_1^2=12.74, df=1, α=0.05 critical value 3.841

The calculated chi-square value is greater than the alpha value which means that the hypothesis that government entrepreneurship policies on supply of factor inputsinduce economic growth is rejected. Hence we conclude that government policies on supply of factor inputs do notinduce economic growth. This is evident from Table 2 that shows that only 7.5% have benefitted from this kind of programme. The possible reasons for this are the politicisation of the selection of beneficiaries, lack of depth of the government programme (only the fertiliser subsidy is popular in this programme, other factor inputs like seedlings, farming equipment, raw materials for sectors other than farming etc. need to be considered by the government) as well as factors discussed in Table 5. Government needs to review its policies on supply of factor inputs (fertilizer, seedlings, equipment, among others) if they are to have the desired effect.

H3: Government entrepreneurial policies on training and orientation induce economic growth

X_1^2=16.5, df=1, α=0.05 critical value 3.841

The calculated chi-square value is greater than the alpha value which means that the hypothesis that government entrepreneurship policies on training and orientation induce economic growth is rejected. Hence we conclude that government policies on training and orientation do notinduce economic growth. The implication of this is that the various government training and sensitisation programmes have not improved the operations and consequently the production level of the benefitting entrepreneurs in a way as to induce economic growth.

V. Conclusion

Based on the results of data collected and findings made, we conclude that the penetration of government entrepreneurship policies and programmes is very low in Ondo State; meeting the requirements for accessing government entrepreneurship programmes is the most serious difficulty encountered by entrepreneurs in benefiting from government programmes; and government entrepreneurial policies have been ineffective due majorly to lack of continuity by successive governments. Government policies have not induced economic growth as revealed by the chi-square statistics.

The study concluded that achievement of desired growth requires that government should encourage stringent credit requirements, harmonise entrepreneurial policies with other fiscal and monetary policies, ensure continuity of policies by successive government, de-emphasize political affiliation as condition for accessing government programmes and improve sensitisation of the public on various government entrepreneurial policies and programmes.

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