

Assessing the Factors that Influence Entrepreneurship in Nigeria

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Abstract

The purpose of the paper is to examine factors influencing entrepreneurship both at individual and aggregate level. The approach for data collection has been broken down in two in order to address the differences in using different levels of analysis. At the individual level, survey has been used to collect data. Ordinary least square method was employed in estimating the coefficients of the variables in the model. While at the aggregate level, time series data were collected from various official sources. Vector autoregressive (VAR) framework was adopted to systematically capture the rich dynamic in multiple time series. Start-up capital and gender were found to be statistically significant in influencing entrepreneurship at individual level. It is also evident that most of the entrepreneurs are driven by opportunity to start up business. The result at the aggregate level shows that there is long run relationship among the variables. The positive influence of unemployment on entrepreneurship is an indication of the presence of necessity entrepreneurship. Poverty and economic growth influenced entrepreneurship negatively. Therefore, the paper reveals the presence of both necessity and opportunity entrepreneurship in the country. There is paucity of studies on this area that integrate individual and aggregate level. Therefore, the paper attempts to fill this research gap and to provide holistic information on entrepreneurship in Nigeria context.

Keyword: Entrepreneurship, Micro and Small Business, Necessity Entrepreneurship, Opportunity Entrepreneurship

Introduction

Many countries are making effort to develop their entrepreneurial base in order to promote private sector and also address some of the fundamental socio-economic challenges. It is expected that entrepreneurship could serve as a catalyst for economic development. The importance of micro, small, and medium enterprises (MSMEs) has been stated repeatedly in terms of productivity and competitiveness of the economies. MSMEs are regarded as the primary source of employment creation, wealth generation, and a source for private sector development. Nigeria has the potential of creating vibrant economy and address different socio-economic challenges through entrepreneurship. It can harness the necessary resources and support the entrepreneurship development like in any developed economy. It was estimated that Nigeria has about 163 million people and almost 70% of this population are classified as poor. Similarly, the problem of unemployment becomes worrisome to both the government and any well meaning citizen of Nigeria. The number of unemployed youths and adults is continuously on the increase. For instance, the unemployment rate in 2000 was 13.1% but it rose to 21.4% in 2010. However, in spite of the increase in both poverty and unemployment rate, it is amazing that the economy of the country has recorded a continuous improvement from 2005 to 2010. Though there was a slight decrease in economic growth in 2008 to 5.98%, it immediately picked up in the subsequent year to 6.95% (NBS, 2010).

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