



Faculty of Economics and Business

**ENTREPRENEURSHIP DEVELOPMENT IN NIGERIA: A CASE
OF MICRO AND SMALL ENTREPRISES IN KANO STATE**

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**ENTREPRENEURSHIP DEVELOPMENT IN NIGERIA: A CASE OF MICRO AND
SMALL ENTERPRISES IN KANO STATE**

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A thesis submitted in fulfillment of the requirement for the award of degree of Doctor of
Philosophy

**FACULTY OF ECONOMICS AND BUSINESS
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2013**

APPROVAL PAGE

I certify that I have supervised and read this thesis and that in my opinion it conforms to acceptable standard of scholarly presentation and fully adequate in scope and quality as a thesis for the degree of Doctor of Philosophy

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I hereby declare that this thesis is the result of my investigation, except where otherwise stated. All sources of data or information utilized in this thesis are acknowledged and a list of references is appended.

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DEDICATION

This thesis is dedicated to my father late Alhaji Salisu Abubakar, who passed away before the completion of this thesis. May his gentle soul rest in perfect and eternal peace.

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ABSTRACT

ENTREPRENEURSHIP DEVELOPMENT IN NIGERIA: A CASE OF MICRO AND SMALL ENTERPRISES IN KANO STATE

By

Abubakar Salisu Garba

Entrepreneurship has become a veritable tool for economic development. It plays a crucial role in creating jobs, reducing poverty, increasing competition and promoting innovations. Nigeria is endowed with abundant human and material resources that can be used to build a strong, virile and prosperous economy. There are bountiful opportunities for entrepreneurship development especially through micro and small business activities. But unfortunately entrepreneurship development has been marred with series of problems. There are several factors militating against entrepreneurial activities which include lack of accessibility for finance for business start up, inadequate managerial and technical knowledge for sustaining the business, weak and inadequate infrastructural facilities, lack of government support and inconsistency of policies for entrepreneurial development. Therefore, the objective of this study is to identify and examine factors influencing entrepreneurship development at both individual and aggregate levels in Nigeria.

The study used a mix of quantitative and qualitative methods. It uses a survey and time series data at individual level and aggregate level respectively. At the individual level, 500 samples were drawn using purposive sampling procedure. Questionnaire was used to get data from the samples who are micro and small business owners operating in Kano State. Depth interview was also conducted to complement data collected using questionnaire. In this case 25 key

informants were selected for the interview. The key informants are micro and small entrepreneurs who have been operating their business for at least five years. The data from the questionnaire were analysed using standard regression, while data from interview were presented and discussed in a narrative manner. While at the aggregate level, time series data for all the variables were collected from relevant official sources from 1980 to 2010. The data has been analysed using vector autoregression (VAR) framework.

At individual level, the result shows that majority of those starting up their business were employed somewhere and have income prior to the commencement of their business. The result also indicates that start up capital and gender are the most significant variables influencing entrepreneurship development. The result indicates that women have lower propensity for engaging in entrepreneurial activity. It is also found that there is a long run relationship among entrepreneurship, poverty, unemployment and economic growth. The Granger causality result shows that poverty directly caused entrepreneurship and unemployment and economic growth indirectly caused entrepreneurship through poverty. The result also reveals that poverty and economic growth negatively affect entrepreneurship, while unemployment affects entrepreneurship positively. It was further explored that poor and unemployed person are unable to access start up capital from the government or financial institutions because of the difficulties involved. The lower participate of women in entrepreneurship was as a result of the religious and cultural values that determine the extent of their involvement in any human endeavours. The study generally reveals the presence of both Schumpeterian and refugee effect in the Nigeria.

Therefore, this study recommends the need to revisit the existing policy on MSMEs. It seems the policy fails to provide necessary support for the majority of the unemployed and poor to start up their own business. There is need to encourage women participation in entrepreneurial activity through training and provision of financial support. This study attempts to integrate individual and aggregate levels of analyses in order to produce holistic information on entrepreneurship development in Nigeria. It is not only significant in providing information for policy formulation but also added to the literature of entrepreneurship in the Nigerian context.

Future research should consider a survey that will draw sample from every part of the country in order to have adequate information on entrepreneurship development that will allow generalization of findings. There is need for the future study to mitigate the effect of frequent entry and exit from entrepreneurship and effort should be made to filter and consider those with genuine business in order to correctly predict the effect of entrepreneurship to the economy. There is a need for similar study in a region where women plays insignificant role in order to determine the challenges facing them and attempt should be made to figure out regional difference for women entrepreneurial involvement. The rate of new business creation varies according to sectors and industries from year to year, therefore there is need to look at individual sector on how entrepreneurship is affected rather than taking analysis on the whole sectors of the economy.

ABSTRAK

ENTREPRENEURSHIP DEVELOPMENT IN NIGERIA: A CASE OF MICRO AND SMALL ENTERPRISES IN KANO STATE

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Keusahawanan telah menjadi alat yang sungguh untuk pembangunan ekonomi. Ia memainkan peranan penting dalam mewujudkan peluang pekerjaan, mengurangkan kemiskinan, meningkatkan persaingan dan menggalakkan inovasi. Nigeria dikurniakan dengan manusia yang banyak dan sumber bahan yang boleh digunakan untuk membina sebuah ekonomi yang kuat, jantan dan makmur. Terdapat peluang yang banyak untuk pembangunan keusahawanan terutamanya melalui aktiviti perniagaan mikro dan kecil. Tetapi malangnya pembangunan keusahawanan telah dicemari dengan siri masalah. Terdapat beberapa faktor militating terhadap aktiviti keusahawanan yang termasuk kekurangan kemudahan bagi kewangan untuk memulakan perniagaan, pengetahuan pengurusan dan teknikal yang tidak mencukupi untuk mengekalkan perniagaan, kemudahan infrastruktur yang lemah dan tidak mencukupi, kekurangan sokongan kerajaan dan tidak konsisten dasar-dasar untuk pembangunan keusahawanan. Oleh itu, objektif kajian ini adalah untuk mengenal pasti dan mengkaji faktor-faktor yang mempengaruhi perkembangan keusahawanan di peringkat individu dan agregat di Nigeria.

Kajian ini menggunakan gabungan kaedah kuantitatif dan kualitatif. Ia menggunakan kaji selidik dan data siri masa di peringkat individu dan masing-masing tahap agregat. Di peringkat individu, 500 sampel telah disediakan dengan menggunakan prosedur persampelan bertujuan. Soal selidik digunakan untuk mendapatkan data daripada sampel yang pemilik

perniagaan mikro dan kecil yang beroperasi di Kano Negeri. Temubual mendalam juga telah dijalankan bagi melengkapkan data yang dikumpul menggunakan soal selidik. Dalam kes ini 25 pemberi maklumat utama telah dipilih untuk temuduga. Pemberi maklumat utama adalah usahawan mikro dan kecil yang telah beroperasi perniagaan mereka untuk sekurang-kurangnya lima tahun. Data daripada soal selidik dianalisis menggunakan regresi standard, manakala data daripada temu bual telah dibentang dan dibincangkan dengan cara cerita. Walaupun pada peringkat agregat, data siri masa bagi semua pembolehubah telah dikumpulkan daripada sumber-sumber rasmi yang berkaitan 1980-2010. Data telah dianalisis dengan menggunakan vektor autoregression (VAR) rangka kerja.

Di peringkat individu, hasilnya menunjukkan bahawa majoriti orang-orang memulakan perniagaan mereka bekerja di tempat dan mempunyai pendapatan sebelum permulaan perniagaan mereka. Hasil kajian juga menunjukkan bahawa modal permulaan dan jantina adalah pembolehubah yang paling penting yang mempengaruhi pembangunan keusahawanan. Hasilnya menunjukkan bahawa wanita mempunyai kecenderungan yang lebih rendah untuk melibatkan diri dalam aktiviti keusahawanan. Ia juga mendapati bahawa terdapat hubungan jangka panjang antara keusahawanan, kemiskinan, pengangguran dan pertumbuhan ekonomi. The Granger akibat sebab-musabab menunjukkan bahawa kemiskinan yang disebabkan secara langsung keusahawanan dan pengangguran dan pertumbuhan ekonomi tidak langsung disebabkan keusahawanan melalui kemiskinan. Hasil kajian juga menunjukkan bahawa kemiskinan dan pertumbuhan ekonomi kesan negatif terhadap keusahawanan, manakala kadar pengangguran menjejaskan keusahawanan positif. Ia terus diterokai bahawa orang miskin dan penganggur tidak dapat mengakses modal permulaan daripada kerajaan atau institusi kewangan kerana kesukaran yang terlibat. Semakin rendah

mengambil bahagian wanita dalam keusahawanan adalah hasil daripada nilai-nilai agama dan budaya yang menentukan sejauh mana penglibatan mereka dalam mana-mana usaha manusia. Kajian ini secara umumnya mendedahkan kehadiran kedua-dua Schumpeterian dan kesan pelarian di Nigeria.

Oleh itu, kajian ini mencadangkan keperluan untuk mengkaji semula dasar yang sedia ada pada UMKM. Ia seolah-olah dasar yang tidak memberikan sokongan yang perlu bagi kebanyakan yang menganggur dan miskin untuk memulakan perniagaan mereka sendiri. Terdapat perlu menggalakkan penyertaan wanita dalam aktiviti keusahawanan melalui latihan dan penyediaan sokongan kewangan. Kajian ini bertujuan untuk mengintegrasikan peringkat individu dan agregat analisis untuk menghasilkan maklumat yang holistik kepada pembangunan keusahawanan di Nigeria. Ia bukan sahaja penting dalam menyediakan maklumat untuk penggubalan dasar tetapi juga ditambah kepada kesusasteraan keusahawanan dalam konteks Nigeria.

Kajian akan datang perlu mengambil kira kaji selidik yang akan menarik sampel dari setiap bahagian di negara ini untuk mempunyai maklumat yang mencukupi mengenai pembangunan keusahawanan yang akan membolehkan generalisasi dapatan kajian. Terdapat keperluan untuk kajian masa depan untuk mengurangkan kesan kemasukan kerap dan keluar dari keusahawanan dan usaha perlu dibuat untuk menapis dan menganggap mereka dengan perniagaan yang tulen untuk meramalkan dengan betul kesan keusahawanan kepada ekonomi. Terdapat keperluan untuk kajian yang sama di dalam kawasan di mana wanita memainkan peranan penting untuk menentukan cabaran yang dihadapi oleh mereka dan usaha perlu dibuat untuk memahami perbezaan serantau bagi wanita penglibatan

keusahawanan. Kadar pembentukan perniagaan baru berbeza-beza mengikut sektor dan industri dari tahun ke tahun, oleh itu ada perlu melihat sektor individu bagaimana keusahawanan dipengaruhi daripada mengambil analisis di seluruh sektor ekonomi.

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LIST OF ABBREVIATIONS

ADF	Augmented Dickey Fuller
AR	Autoregression
CAC	Corporate Affairs Commission, Nigeria
CBN	Central Bank of Nigeria
CBPL	Creative Business Promotion Law
ECM	Error Correction Model
EDCs	Entrepreneurship Development Centres
FDI	Foreign Direct Investment
FEVDs	Forecast Error Variance Decompositions
FIRS	Federal Inland Revenue Services
FSP	Family Support Programme
GEM	Global Entrepreneurship Monitor
IMF	International Monetary Fund
IRFs	Impulse Response functions
LR	Likelihood Ratio
MDGs	Millennium Development Goals
MFBs	Microfinance Banks
MSMES	Micro, Small and Medium Enterprises
NAPEP	National Poverty Eradication Programme
NBS	National Bureau of Statistics
NDE	National Directorate for Employment
NEEDS	National Economic Empowerment Development Strategy
OECD	Organisation of Economic Cooperation and Development
OLS	Ordinary Least Square
PAP	Poverty Alleviation Programme
PHCN	Power Holding Company of Nigeria
PP	Phillips-Perron
PPP	Purchasing Power Parity
RSS	Residual Sum of the Squares
SAP	Structural Adjustment Programme

SMEGS	Small and Medium Scale Enterprises Guarantee Scheme
SMEDAN	Small and Medium Enterprise Development Agency of Nigeria
SME	Small and Medium Enterprise
SMEEIS	Small and Medium Enterprise Equity Investment Scheme
TEA	Total Entrepreneurial Activity
UK	United Kingdom
UNCTAD	United Nation Conference on Trade and Development
UNDP	United Nation Development Programme
UNIDO	United Nation Industrial Development Organisation
US	United State of America
VAR	Vector Autoregression
VDCs	Variance Decompositions
VECM	Vector Error Correction Model

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

The history of entrepreneurship development in Nigeria could be traced back to the period of colonial administration. The colonial policies implicitly gave preference for the development of large scale industries in order to promote the process of industrialization. Entrepreneurial activities by the micro, small and medium enterprises (MSMEs) were not encouraged at the very beginning of the country's economic planning. The initial educational system also fell short in supporting entrepreneurial activities since the inception of the colonial administration. The then educational policy was fashioned out to serve the interest of the colonial masters for training manpower for effective administration of the colony and the protectorates. The policy does not place priority at all in developing local entrepreneurial talents and skills. The target of the then educational policy was to provide a basic knowledge of how to read and write so as to produce administrative office assistants, clerks, interpreters and inspectors.

Immediately after the country's independence the government also adopted the import substitution policy which also considered as a neglect and impediment to entrepreneurship development. The policy also emphasized the creation of large firms that could be engaged in mass production of consumer goods. The government granted a lot of incentives in this regard to attract foreign direct investment (FDI).

In the 1970s the government perceived the importance of small scale industries to national development. The government came up with some policies and programmes toward stimulating SMEs and entrepreneurial activity in the country. A number of institutions and industrial centres were set up to support entrepreneurial activities. In the 1980s the country faces problem of balance of payment which necessitated the government to seek for a bailout from International Monetary Fund (IMF) and World Bank in order to resuscitate the economy (National Bureau of Statistics and SMEDAN, 2010). As part of the loan conditions the government embarked on Structural Adjustment Programme (SAP) in 1986. It was made clear that promoting small business sector is the major priority of the programme. Since then entrepreneurial activity through MSMEs became into the limelight of the Nigerian economy.

Various institutions were subsequently established in support of MSMEs and entrepreneurship development in the country. The government for instance established Small Scale Industrial Scheme, National Economic Reconstruction Fund, Small and Medium Scale Loan Scheme, People's Bank of Nigeria and National Directorate of Employment. Some of these institutions did not survive longer as the subsequent regimes came up with other alternative programmes and schemes to replace the former.

The need for the entrepreneurship development became more pressing as the country continues to face diverse socio economic challenges. The government in its effort to develop entrepreneurship has established Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) in 2003. The agency is charge with the responsibility of facilitating the

creation, resuscitating and stimulating of the growth and development of MSMEs in Nigeria (National Bureau of Statistics and SMEDAN, 2010). The government also through central bank launched the microfinance policy, regulatory and supervisory framework for the country in 2005. The objective is to provide a sustainable and reliable microfinance banks that can mobilize and channel funds to MSMEs. As part from the emergence of microfinance banks, the existing community banks were also converted into microfinance banks.

The Small and Medium Enterprises Equity Investment Scheme (SMEEIS) is another initiative in response to the government calls for private sector's support for entrepreneurial activities. The bankers' committee resolved that all the commercial banks in country are required to set aside 10% of their profit after tax for equity investment to MSMEs in Nigeria. The banks were able to set aside the sum of N42 billion as at December 2009. But unfortunately large number of the entrepreneurs and MSMEs cannot access or benefit from this scheme due to lack of proper business plan, good accounting system, marketing strategy etc.

Small and Medium Scale Enterprises Guarantee Scheme (SMECGS) was established in 2010 to fast track development in the MSMEs sub sector, set the pace for the industrialization of the economy and increase access to credit by MSMEs. The scheme has N200 billion funds as a guarantee on loans by banks in order to absorb the risk of lending to the sector. The MSMEs with total assets not exceeding N500 million and work force of 11 to 300 employees will become beneficiaries for this scheme. The scheme would guarantee up to a maximum of

N100 million in form of working capital, loan for refurbishment or equipment up grade or expansion and overdraft.

SME restructuring/refinancing fund was established by the federal government through central bank. The objective of this fund is to enhance access to credit by the SMEs and improve financial position of the commercial banks. The money was sourced from N500 billion debenture stock issued by the bank of industry. There are other initiatives by the federal, state governments and private sector in support of entrepreneurship development in the country. In spite of these efforts the MSMEs are still facing challenges in accessing fund for business financing. Apart from financing problem, there are other problems especially the dearth of infrastructure. Lack of adequate electricity supply remains the major impediment to the entrepreneurship development.

Looking at the present realities and challenges facing Nigeria, the need for entrepreneurship development becomes apparent. Developing strong, vibrant and viable MSMEs is necessary prerequisite for overcoming numerous socio-economic problems in the country. Entrepreneurship development requires more than a policy pronouncement but action is required to provide a conducive business atmosphere particularly for micro and small business to emerge and prosper. It is very important to critically look at the business environment and identify the factors that influence entrepreneurial activity. The interest and motivation for this research arises as a result of the prevailing and pathetic state of the Nigerian economy. Entrepreneurship development could help in curtailing unemployment and

poverty in the country. Therefore, there is a need to look at the general development of entrepreneurship and MSMEs with a view to assess how entrepreneurial activities are affected at various levels.

1.2. Statement of the Problem

Nigeria is endowed with abundant human and material resources that can be used to build a strong, virile and prosperous economy. There are bountiful opportunities for entrepreneurship development especially through micro and small business activities. But unfortunately entrepreneurship development has been marred with series of problems. There are several factors militating against entrepreneurial activities which include lack of accessibility for finance for business start up, inadequate managerial and technical knowledge for sustaining the business, weak and inadequate infrastructural facilities, lack of government support and inconsistent policies for entrepreneurial development.

The inadequate infrastructural support entrepreneurship creates unfavorable business climate that forces many businesses to close as they cannot cope with the increasing cost of operation. Many firms both big and small have to close their businesses and as such many people lost their jobs almost daily. Entrepreneurship also suffers the same setback in the agricultural sector that employs the chunk of the Nigeria population and contributes greatly to gross domestic products. Agricultural entrepreneurial activities are becoming less attractive for both producers and sellers due to inadequate government support and incentives. The high cost of agricultural inputs without corresponding increase of the prices for such commodities in the

market is discouraging further production and general interest in farming activities. Hence, a large portion of Nigeria population heavily relied on paid employment while there are no corresponding vacancies to absorb them.

The neglect for entrepreneurship development at very beginning of the country's economic planning can be attributable to the present high incidence of poverty, unemployment, insecurity and general underdevelopment. The most difficult challenge of the present leadership is how to overcome these diverse socio-economic problems that hinder the development of the country over the years. It is pertinent to ask whether entrepreneurship could be relevant in addressing these problems and whether the present conditions are suitable for entrepreneurship development in the country.

Moreover, there is need for the country to keep pace with the global demand for meeting the Millennium Development Goals (MDGs) target by the 2015 which will go along side with its national economic development. The MDGs may remain elusive unless various strategies have been evolved to empower the people economically and socially. Increasing economic growth, reducing poverty, cutting unemployment rate, increasing competition, creating income and wealth among others should be the central focus of policy makers in fostering entrepreneurship development.

Rapid economic development can be achieved through increasing the quality as well as the number of people engaging in entrepreneurial activities. Entrepreneurship development

through micro, small and medium enterprise becomes inevitable option for sustainable economic growth and development of the country. There is no adequate effort to systematically understand the challenges facing both the entrepreneurs and the general development of entrepreneurship. The task of the policy makers is to identify the critical factors that influence entrepreneurship at various levels in order to come up with suitable and appropriate policies that will support and develop entrepreneurial activities.

1.3. Objective of the Study

1.3.1. General objective

In order to successfully address the problem under investigation, the study aims at identifying and examining factors influencing entrepreneurship development at both individual and aggregate levels in Nigeria

1.3.2. Specific objectives

- 1) To examine factors influencing entrepreneurship development at the micro/individual level.
- 2) To examine factors influencing entrepreneurship development and assess the causal relationship among variables at the aggregate level.
- 3) To identify and explore the problems hindering entrepreneurship development at the individual level.

1.4. Significance of the Study

In view of the contemporary socio- economic challenges facing Nigeria, this study contributes significantly in highlighting the factors that influence entrepreneurship development. Identifying the challenges and examining factors influencing entrepreneurship development will also help in providing the necessary guidance for charting out appropriate policies and strategies that will ensure rapid entrepreneurship development in the country. There were various similar studies across the world and most of the studies focus attention on examining entrepreneurship development using either individual/ micro level or aggregate level alone. There is little or no attempt to incorporate these two levels of analysis simultaneously. At the individual level, most of the studies examined the affect demographic, socio-economic or psychological variables of the entrepreneurs without recourse to aggregate level. Some of these studies were conducted by Grilo and Thurik (2008), Muhanna (2007), Mondragon-Velez and Pena (2010) Ruane (2007), Trang Do and Duchene (2008), Ramana (2009), Parsa and Bavandpouri (2011), Evans and Leighton (1990) and Raposo, Fereira, Finisterra and Rodrigues (2008).

Moreover, no study at the aggregate level examines the influence of GDP, unemployment and poverty on entrepreneurship development at the same time. Generally, there is paucity of studies that examine the influence of GDP and poverty on entrepreneurship development. Most the studies examined the influence of entrepreneurship development on GDP, poverty or unemployment. Some of these studies were conducted by Morris, Pitt and Berthon (1996), Wennekers and Thurik (1999), Guzman and Santos (2001), Audretsch, Carree and Thurik

(2001), Ritsila and Tervo (2002), Beugels-dijk and Noordehaven (2004), Stel, Carree and Thurik (2004), Salgado-Banda (2005), Wong, Ping-Ho and Autio (2005), Wennekers, Stel, Thurik and Reynolds (2005), Wang (2006), Grilo and Irigoyen (2006), Acs and Zserb (2007), Stel, Thurik, Verheul and Baljeu (2007), Lafuente and Driga (2007), Koster and Rai (2008) and Verheul, Stel and Thurik (2006).

Therefore, this study attempts to fill this research gap by examining the effect of economic growth, poverty and unemployment simultaneously on entrepreneurship development at the aggregate level in which no previous study does so in Nigeria context. The study also integrates the findings of individual and aggregate levels of analyses to produce comprehensive and holistic information about entrepreneurship development in Nigeria. The study also contribute enormously in bridging the existing gap in the literature by incorporating both individual and aggregate levels which would help in understanding the nature, dynamic and problems of entrepreneurship in Nigeria. It would also contribute to the literature by uncovering the relationship between entrepreneurship, socio demographic and other macroeconomic variables essential for formulating economic policy.

Moreover, as the global economy is moving away from managed economy towards entrepreneurial economy, the study would be of significant value to the government, development partners and other relevant stakeholders of the economy particularly with respect to socio-economic decisions. In essence this study offers an input in a more comprehensive

manner to policy makers and other stakeholders by ensuring that important and up to date information about entrepreneurship development is available in the country.

1.5. Scope of the Study

The issue of entrepreneurship development cannot be studied independently if the desired objectives must be attained. Entrepreneurship development needs to be studied in relation to some factors depending on the context of the research. Therefore this study focused on understanding the identifying and examining factors that influence entrepreneurship development in Nigeria. In this study the selection of factors is limited to those that are relevant to Nigerian context and based on their relationship with entrepreneurship development as described in the literature.

At the individual level the survey covers some selected micro and small businesses in Kano state from various sectors. The study focuses on micro and small business as defined by the national policy on micro, small and medium enterprises in Nigeria (ie businesses employing 1-49 employees were only considered for this study). The selection of these businesses enable the researcher to understand the difficulties and challenges in forming as well as managing successful micro and small venture in the country.

Meanwhile at the aggregate level, the study focuses on micro and small businesses that are registered under business name with the Corporate Affairs commission, Nigeria. The selection of factor influencing entrepreneurship development at this is limited to poverty,

unemployment and GDP based on their relevance to the contemporary socio economic challenges in Nigeria.

The thesis is composed of seven chapters. Chapter one deals with the general introduction for the study. Chapter two contains an overview of Nigeria's socio economic environment, National policy on MSMEs in Nigeria and description of Kano State. Chapter three deal with the review of literature which consists of theoretical framework and empirical studies. Chapter four explains the methodology of the study. In chapter five the quantitative results and discussion for individual and aggregate level of analysis were presented. While the qualitative results and discussions are presented in chapter six. Chapter seven contains conclusion and implications of the study.

CHAPTER TWO

AN OVERVIEW OF NIGERIA'S SOCIO -ECONOMIC ENVIRONMENT AND DESCRIPTION OF KANO STATE

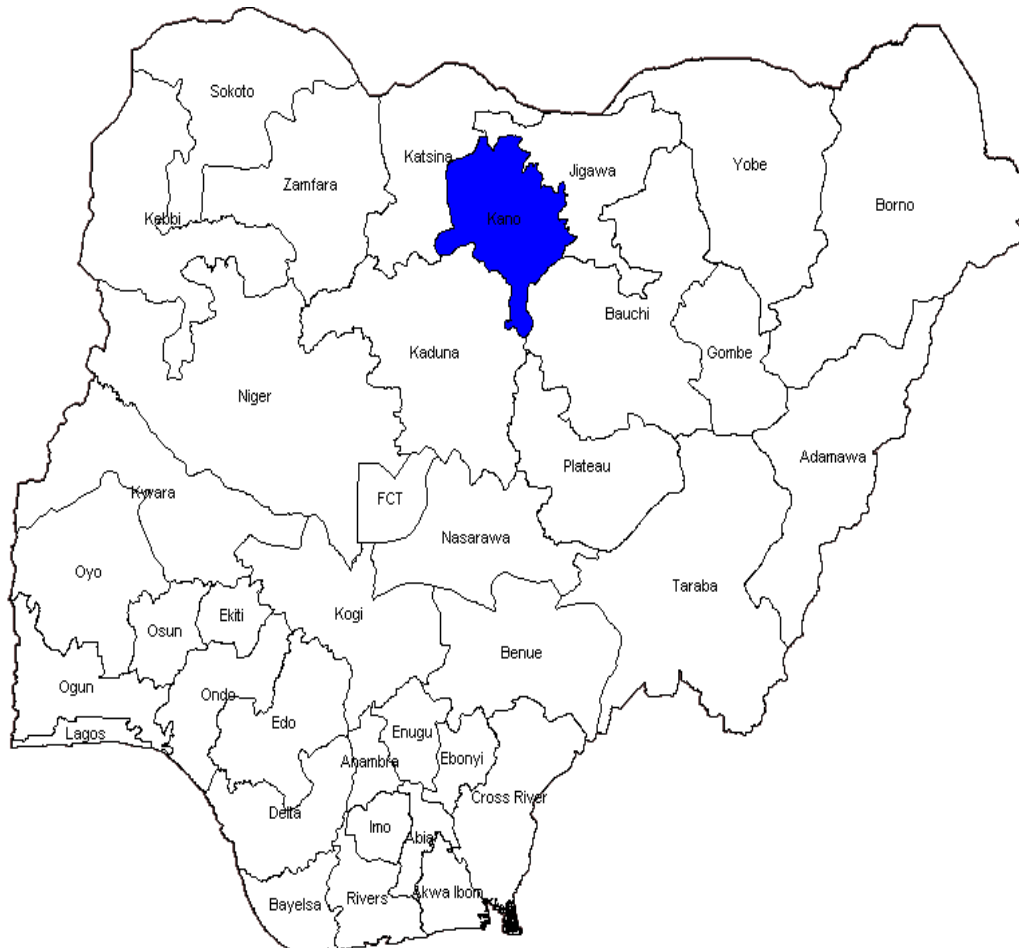
2.1. Introduction

To understand the nature and problems of entrepreneurship development in Nigeria as a whole, it is important to provide some information pertinent to the socio-economic atmosphere of the country. Therefore, this chapter provides an overview of Nigeria environment and Kano state in particular. The chapter is discussed under the following sub heading; an overview of Nigeria's socio - economic and socio-political environment, national policy on micro, small and medium enterprises in Nigeria and description of Kano state.

2.2. An Overview of Nigeria's Socio-economic Environment

Nigeria is located in West Africa (Sub Saharan Africa) bordered on the west by Benin Republic, on the north by Niger Republic and on the east by the Republic of Cameroon. It has a landmass of over 923,768 square kilometers and with amazing population of over 140 million and 163 million based on 2006 census and 2010 population estimate respectively. The spatial distribution of the population is quite uneven with some areas of the country sparsely populated and others densely inhabited. Men population is slightly greater than female population, there are about 44.52 million male and 44.46 million female in 1991 which rose to 71.3 million and 69.1 million respectively in 2006 (see Appendix I). Nigeria is one of the densely populated countries in the world, with an approximate average density of 124 persons

per square kilometer. Globally Nigeria constitutes 2% of the world population and is expected to be among five or six most populated countries by the year 2025.



Note: Kano state is indicated by the shaded portion

Figure 2.1: Map of Nigeria showing 36 states and Federal Capital Territory (FCT), Abuja

There are over 300 different ethnic groups in the country. Nigeria is governed under the federal arrangement with three tiers of governments, which are federal, state and local government. The country has 36 states, 774 local government areas and federal capital, Abuja

(see Figure 2.1). The states and local governments are constitutionally grouped under six geopolitical zones namely; North East, North West, North Central, South East, South West and South- South. Unlike some of the African countries, Nigeria has the highest incidence of change of government mostly due to military take over.

Prior to the discovery of oil in the 1960's majority of the country's adult population engaged in agricultural production. Some of the major crops exports were palm oil and kernel, cocoa, rubber, groundnut and cotton etc. Economic growth, balance of payments and investment opportunities were tied to the demand for these agricultural products in the international market. The nation's economy witnessed a long period of stagnation. Consequently, per capita income fell over the period because the population growth (2%) outstripped the rate of economic growth. Increased in world demand for agricultural products in the 1950s caused an impressive GDP growth rates which hits an average of 4% in 1957 (Donli, 2004). Following the discovery of crude oil, the economic growth rate increased to 6% per annum between 1958 and 1967 (Donli, 2004). The economy suffered shortly when economic activities were disrupted by the civil war between 1967 to 1969. But immediately after the war, remarkable economic growth has been witnessed in the country in which oil prices quadrupled in 1973.

A relatively high growth rate persisted until the recession of 1981 that adversely affected the price of oil at the international market, causing a considerable drop in the country's revenue and the strength of the economy. Since then, the country has been going through an austere economic period which has brought down the nation's GNP per capita from US \$830.00 in

1983 to US \$370.00 in 1988 and US \$250.00 in October 1990 (Donli, 2004). After long a period of military rule and with the inception civilian democratic regime in 1999, some progress has been made to restore macro-economic stability.

Table 2.1 reveals that the Nigerian economy has achieved continuous improvement from 2005 to 2010 with the exception of 2008 where it slightly decreased to 5.98% and grew by 6.95% in the subsequent year. The decline in the GDP growth rate in 2008 was as a result of global economic crises which affected the demand of Nigeria's crude oil in the international market. The GDP per capita shows continued increase from 2005 to 2008 and slightly dropped to N171, 285 in 2009 and increased again to N191, 854 in 2010.

Table 2.1: Real gross domestic product, growth rate and per capita, 2005-2010

Year	Real GDP (in billion naira)	GDP growth rate (%)	GDP per capita (in thousand naira)
2005	561,931.4	6.5	126,071
2006	595,821.6	6.3	160,925
2007	634,251.1	6.4	177,253
2008	672,202.5	5.98	215,875
2009	718,977.3	6.95	171,285
2010	775,525.7	7.86	191,854

Source: National Bureau of Statistics (NBS), 2010

Table 2.2 shows various sectoral contributions to real GDP in Nigeria for the periods of 2006 to 2010. The data indicates that the agricultural sector was the highest contributor to the real GDP in Nigeria (41.72% and 40.84% in 2006 and 2010 respectively). It is followed by crude and petroleum sector which contributed 21.85% and 15.85% and whole and retail trade contributed 14.95% and 18.70% in 2006 and 2010 respectively. Hotel and restaurant and solid mineral sectors are the least, they only contributed less than 1% each from 2006 to 2010.

Although there was a slight decrease in agriculture over the periods, the sector was relatively stable. The persistent decline in the crude, petroleum and gas sector was due to the disruption in the Niger delta oil region by excesses of militants through vandalization and shut down of facilities. Most of the onshore oil fields were shut down because of insecurity which reopened for exploration in 2010

Table 2.2: Sectoral contribution to real GDP (%), 2006 - 2010

Activity Sector	2006	2007	2008	2009	2010*
1. Agriculture	41.72	42.01	42.13	41.70	40.84
2. Solid mineral	0.28	0.30	0.32	0.33	0.34
3. Crude, petroleum and natural gas	21.85	19.60	17.35	16.29	15.85
4. Manufacturing	3.91	4.03	4.14	4.17	4.16
5. Telecommunication and post	1.83	2.31	2.92	3.66	4.56
6. Finance and insurance	3.90	3.85	3.81	3.70	3.57
7. Whole and retail trade	14.95	16.18	17.41	18.14	18.70
8. Building and constructions	1.62	1.72	1.84	1.92	2.00
9. Hotel And restaurants	0.41	0.43	0.46	0.48	0.50
10. Real estate	1.47	1.55	1.63	1.69	1.74
11. Business and other services	0.81	0.84	0.87	0.89	0.90
12. Others	7.23	7.19	7.15	7.02	6.83
Total	100	100	100	100	100

Source: National Bureau of Statistics, 2010. *Provisional estimate

Due to bad economic conditions, dwindling interest rate, lack of necessary infrastructure such as electricity supply and lack of transparent socio economic and development policies, the cost of doing business became very high. Many organizations closed their business because they cannot cope and sustain their business under harsh business environment. As a result of this, large number of people lost their jobs and unemployment rate keeps going up in the country. The Nigerian government came up with various policies and programs to support unemployed persons to become entrepreneurs. These include the formation of National Directorate for Employment (NDE) in 1986 which has the responsibility of training and

supporting unemployed to become self reliant by starting their own business. Recently the government introduces entrepreneurship courses in all tertiary institutions across the country which is aimed at providing necessary training and business skills to the students so that they can start their own business upon graduation. This is particularly designed to relieve the graduates from the problem of unavailable vacancies in the labor market.

The data reveals that in 2000 the unemployment rate was 13.1 which rose to 21.4 in 2010 (Table 2.3). This shows that there is a significant increase in unemployment in the country.

Table 2.3: National unemployment rates, 2000-2010

Year	Rates
2000	13.1
2001	13.6
2002	12.6
2003	14.8
2004	13.4
2005	11.9
2006	12.3
2007	12.7
2008	14.9
2009	19.7
2010	21.4

Source: National Bureau of Statistics, 2010.

About 70% of the population in Nigeria is classified as poor based on income of less than 1.25 dollars a day. There was a persistent decline in general living condition of the people since 1980s. In 1980 the poverty incidence and estimated poor population was 27.2% and 17.7 million which rose in 2010 to 69% and 112.5 million respectively (Table 2.4). The percentage of moderately poor increased from 21% in 1980 to 30.3 % in 2010 and percentage of extremely poor increased from 6.2% in 1980 to 38.7% in 2010. The state of poverty in Nigeria today was as a result of lack of good policy direction, high level of corruption and

lack of provision of basic needs, infrastructures and amenities etc. Various government regimes in the past attempted to promote entrepreneurship in order to address the problem of poverty through enactment policies and programs such as National Poverty Eradication Program (NAPEP), Poverty Alleviation Program (PAP), Family Economic Advancement Program (FEAP) and Family Support Program (FSP). Despite these efforts it seems poverty rate is still increasing in the country.

Table 2.4: Relative poverty, estimated poor population and poverty incidence, 1980-2010

Year	Moderately poor (%)	Extremely poor (%)	Estimated poor population (million)	Poverty incidence (%)
1980	34.2	13.9	67.1	54.4
21.0	12.1	39.1	65.6	2010
6.2	34.7	42.7	2004	30.3
17.7	46.3	1996	32.4	38.7
27.2	1992	36.3	22.0	112.5
1985	28.9	29.3	68.7	69.0

Source: National Bureau of Statistics; harmonized Nigeria living standard survey, 2010

2.3. National Policy on Micro, Small and Medium Enterprises in Nigeria

The major source of concern of the government is to ensure the development of vibrant MSMEs that will support Nigerian economy. Nigeria is supposed to be ranked high in the comity of nations given its diverse and abundance human and material resources endowment, but unfortunately the country is lagging behind and ranked very low in the global context. This problem is partly as a result of sheer neglect or inadequate effort to address the perennial problems and challenges facing entrepreneurship and MSMEs.

Recently the Nigerian government came up with a national policy on micro, small and medium enterprises which were supported by the United Nation Development Programme

(UNDP) with the contribution of other relevant stakeholders to make it more comprehensive and popular in the country. The national policy was designed with the expectation to address the fundamental problem of lack of coherent, comprehensive policy and institutional framework that will coordinate and promote the development of MSMEs. The purpose of the national policy is to provide a framework of objectives, principles and direction by which MSMEs programmes, intervention and initiatives can be implemented, monitored and evaluated (SMEDAN, 2007). The policy was derived from the National Economic Empowerment and Development Strategy (NEEDS) which is considered as a national economic reform agenda for the country.

The new policy is the major vehicle that will ensure realisation of the laudable objective of the country of becoming one of the 20th biggest economies in the world by the year 2020 based on the principles of public-private partnership and stakeholder ownership (SMEDAN, 2007). It envisions MSMEs that can provide maximum benefits to the country in terms of employment generation, poverty reduction, wealth creation and the growth of the Nigerian economy. The mission of the policy is to enhance the contribution of MSMEs to national productivity, employment, poverty reduction and have strong MSMEs, which will put a solid foundation for the economic competitiveness and sustainability of the Nigerian economy.

Before the enactment of the policy several factors have been identified and analysed, which include low level of entrepreneurial, technical and managerial capabilities of the MSMEs etc. The MSMEs suffered a lot of problems such as poor and unreliable infrastructure, unfriendly

business environment, high incidence of informal activities, lack of transparent regulations, poor service delivery by government agencies to entrepreneurs and low or absent of global competitiveness. The policy encompasses seven broad areas and programmes to focus attention on. They are institutional, legal and regulatory framework, human resource development, technology research and development, extension and support services, marketing, infrastructure and finance. Most of the activities found among MSMEs are done informally. They are usually referred to as informal sector because they operate outside the regulatory framework and support of the government.

The major areas that the policy is expected to address are as follows;

a) Business registration

Business registration will promote the transformation of the informal businesses to formal so that they can be fully integrated into the economy. This will also ensure and simplify registration procedure of MSMEs in order to obtain and maintain up to date information on the number, performance and the need of the sector. This objective is to be achieved through the strategies of sensitizing players in the informal sector on the benefits and advantages of formal registration, set up registration desk or liaison offices in the country and establish one stop shop at all tiers of government etc.

In Nigeria the procedure for registering a business was cumbersome and costly because the entrepreneurs have to hire a lawyer who will be responsible for preparing necessary document and making presentations on behalf of entrepreneurs to the Corporate Affairs Commission

(CAC) for consideration. Recently the Small and Medium Enterprise Development Agency of Nigeria (SMEDAN) collaborated with CAC in order to simply and fast tracks the process of registering micro and small businesses. The SMEDAN would deploy desk officer to CAC who will handle registration process on behalf of the entrepreneurs without involving a lawyer. The CAC will also contribute in any training organised by SMEDAN for sensitizing the entrepreneurs on the processes and benefits of the registration. It was estimated that from 1980 to 2010 about 1,177,361 micro and small businesses have been registered with CAC under business names.

b) Tax administration

The objective of tax administration is to reduce cost and time in the processing of tax payment by the MSMEs, to streamline taxes paid in order to avoid the incidence of multiple taxations and to simplify the whole process of tax administration. The government in order to achieve this objective tries to reform tax laws at all levels to make tax institutions friendlier and to extend tax holidays and other relief to MSMEs. But in reality the state governments are urging entrepreneurs to pay personal income tax. The tax regime starts from 5% to 25% depending on the size of the income of individual entrepreneur. Presently most of the state governments do not offer any tax incentive to micro and small entrepreneurs. They are rededicating their effort to boost revenue generation amid the financial crisis in the country to get money for building necessary infrastructures.

Government revenue agencies at various levels are making effort to ensure that tax evaders are compelled to pay tax as at when due. Federal Inland Revenue Services (FIRS) collects taxes due to federal government, while states board of internal revenue is responsible for collecting taxes due to states. There are other taxes and levies that are charged by the local government authorities in the states such as shop and kiosk rate, sign board/advertisement permit, tenement rate, merriment and road closed rate. Entrepreneurs that are expected to enjoy 10% reduction of tax are those under the Small and Medium Equity Investment Scheme (SMEEIS) as requested by the bankers' committee as part of the conditions to support MSMEs in the country.

c) Human resource development

There is need to create entrepreneurial, managerial and technological skills for the growth and competitiveness of Nigeria's MSMEs. The objectives set by the policy are to ensure an effective provision of relevant educational and skills training for MSMEs and to support the creation and expansion of opportunities for in-service, continuing education and training for business owners, managers and employees in MSMEs etc. The government strategies among others is to incorporate entrepreneurial and business skills in the curricula of tertiary institutions, promote business support centres in all states and local government, establish special non formal educational and training course and programmes for stakeholders etc. In this regard the state governments from time to time organises workshop and seminar to sensitize the entrepreneurs on some issues that requires attention.

The CBN complements the federal government effort by establishing Entrepreneurship Development Centres (EDCs) in 2008 with offices in all the geo-political zones. It also organises annual microfinance conference and entrepreneurship award in order to boost entrepreneurial spirit in the country. The federal government through the federal ministry of education have recently instructed all tertiary institutions in the country to establish centre of entrepreneurship development which will provide entrepreneurial training to students in their schools.

d) Extension and support services

In order to promote capacity building for MSMEs to ease business formation, start up and expansion, a number of objectives were set up. They include among others the provision of relevant, adequate, timely, accessible and affordable extension and support services to MSMEs. The activity of MSMEs in every state is usually monitored by the state ministry of commerce and industry. They have created a unit or department that handles the problem of entrepreneurs in the state. The officials serve as liaison officers that report to the government the conditions of the entrepreneurs and they also provides advisory assistance to the entrepreneurs.

e) Infrastructure

The government recognised the importance of infrastructure to the survival and growth of MSMEs. The policy reiterates the commitment of the government in providing adequate and reliable infrastructure in order to improve the growth and competitiveness of MSMEs. The

government pledges to achieve this objective through strategies of providing basic infrastructural facilities, such as access road, transportation facilities, power and water supply. The government will also establish public-private partnership system to support business estates and industrial cluster with essential and technical facilities and services.

Electricity is considered as an important infrastructure that affects the operation and productivity of entrepreneurs in Nigeria. The federal government is unable to generate and supply sufficient electricity in the country. No state enjoys stable and constant supply of power including the federal capital Abuja. This situation seriously affects both big and small enterprises which resulted in the closure of many businesses since they cannot cope with the cost of maintaining stand by generators on a daily basis. Because of this perennial problem of inadequate power supply the federal government recently consider the option of allowing private foreign investors to come in so that power generation can be boosted in the country. Several state governments are making effort to construct their own independent electricity plant so that they can generate electricity that can be consumed within the state.

It is estimated that Nigeria will require 26,561MW to meet the demand in the country as envisioned in the vision 20: 2020 target. Currently there are 9 existing power stations, 13 new, ongoing and independent power plants. Table 2.5 provides information on installed generating capacity of electricity in the country from 2004 to 2010. The data show that thermal generation has been increased from 4,302 to 6,724.6 megawatts hours. The hydro power generation capacity has not been enhanced. It remains 1,938 megawatts hours from

2004 to 2010. Generally, the data indicates that there was an increase in the power generation from 6,240 to 8,663 megawatts hours within seven years from 2004 to 2010. The responsibility of generating and distributing electricity in the country is rest on the Power Holding Company of Nigeria (PHCN). This company supplies electricity to every parts of the country.

Table 2.5: Installed generation capacity, 2004-2010

Year	Thermal (in MW)	Hydro (in MW)	Total (in MW)
2004	4,302.4	1,938.0	6,240.4
2005	4,718.0	1,938.4	6,656.4
2006	5,501.8	1,938.4	7,440.2
2007	6,021.5	1,938.4	7,959.9
2008	6,531.1	1,938.4	8,469.5
2009	5,782.0	1,938.4	7720.4
2010	6,724.6	1,938.4	8,663.0

Source: Power holding company of Nigeria, 2011

Similarly, because of the failure of the government's telecommunication agency to provide effective information and communication services, the federal government in 2001 deregulated the sector to allow private investors to provide services to the country. Since 2001 there has been a tremendous improvement in information and communication services in the country. Presently there are about 21 licensed companies that cover almost every part of Nigeria. The major private operators are MTN, Globacom, Airtel, Etisalat, Starcom, Multilinks, Visafone and the government owns Nitel and Mtel. The government presently is proposing to privatise Nitel.

f) Microfinance

Lack of adequate finance is one of the serious problems that constraint the development and performance of MSMEs. The government is committed toward eliminating financial constraint in the MSMEs. The key step in this direction is the enunciation of the microfinance policy for Nigeria under auspices of Central Bank of Nigeria (CBN). The objectives are to reduce the financial constraints on the creation, operation and expansion of viable and sustainable development of MSMEs, to improve sustained access to and beneficial utilization of finance for business start up and expansion.

The government employs different strategies of promoting business development to enhance the access to finance and equity investment by MSMEs. The SMEEIS is an initiative by bankers' committee in 1999 as a response to the federal government effort and policy measures to promote MSMEs in the country. Under this scheme all banks are obliged to set aside 10% of their profit after tax for equity investment and promotion of MSMEs. The banks enter into partnership with entrepreneurs by way of making equity investment of not more than 40% to the business while the owner provides the remaining 60% or more depending on the agreement. The management of the business will remain with the entrepreneurs who start up the business under the close supervision of bank officials.

The importance of this initiative is to reduce the burden of interest rate and other bank lending charges and to provide financial, advisory, managerial and technical support by the banks.

Furthermore, under the microfinance policy the central bank issues license to microfinance banks to provide financial services to MSMEs. Table 2.6 shows the distribution of Microfinance Banks (MFBs) by geographical zone. There are 951 microfinance institutions licensed by CBN in the country. The data reveals that North East has the lowest number of MFBs (33 MFBs or 6.6%). The South West has the highest concentration of MFBs (391 MFBs or 41.1%). These MFBs fail to deliver up to the expectation of both the government and MSMEs. Some of the factors that are responsible for the failure of these institutions include poor management, lack of adequate infrastructure, poor repayment culture and lack of good supervision by the regulatory bodies.

Table 2.6: Distribution of microfinance banks by geographical zones, 2010

Zone	Number of MFBs	Percentage %
North west	63	6.6
North central	144	15.1
North east	33	3.5
South west	391	41.1
South south	135	14.2
South east	185	19.5
Total	951	100

Source: Central bank of Nigeria, 2010.

2.4. Description of Kano State

Kano state is geographically located mostly in Sudan vegetation zone¹ in North Western region of Nigeria. It has a total land mass of about 20760 square kilometers, with temperature ranging from 33^oc to 15^oc which in some occasion fall as low as 10^oc particularly during winter and it has an average annual rainfall of 109 mm. The state is sharing boundary on the

Note: ¹ Sudan vegetation zone is a vegetation belt found in the north western Nigeria, covering all the states near Niger Republic. It has a low rainfall usually less 1000mm with a prolonged dry season of 6-9 month. The zone is characterized by short grasses and the common economic crops found include cotton, millet, maize, wheat etc.

east with Jigawa state, on the north with Katsina state and on the south west with Kaduna state. Kano was created as a state in July 1967. Before the state creation, it was considered as one of the Hausa kingdom and later under the colonial administration known as Kano province. Historically, Kano as Hausa kingdom was in existence since AD 999 during Bagauda reign, the grandson of Bayajidda. Since then Kano had the potential of becoming a commercial and industrial centre not only in Nigeria but in the whole West African region. This has manifested earlier through its unparalleled attraction of people from various parts of the world for the purpose of commerce and other business transactions.

There are 44 local government areas in Kano which is the largest in the country. The local governments are considered as local authorities at the grassroots which provide basic services in education, primary health care, social infrastructures and administration of local taxes and levies etc. Based on the 2006 national census Kano became the most populous state in the country with total population of 9.4 million people, out of this number 52.6% are male and 47.4% are female (see Appendix I).

Kano state indigenes are predominantly Muslims, over 90% its population as at today accepted Islam as a way of life which was brought about by the Islamic jihad of Usman Dan fodio. The people of Kano generally refer to as Hausa-fulani due to some indistinguishable characters they share in common arising from cultural intermingling and inter-marriages. There are other numerous ethnic groups who have settled down in Kano such as Yoruba, Ibo, Nupe, Tiv and Igala.

The average number of persons per household was 6 and 7, while the unemployment rates were 22.5% and 27.6% for 2004 and 2008 respectively. These data shows an increase in both number of persons per household and unemployment rate for Kano State. The North West region is considered as one of the regions that has the highest poverty incidence in the country. The percentage of people in absolute poverty in Kano state was 65.6% in 2010 (NBS, 2012). This data clearly indicates that majority of the population lives below the international poverty line in absolute term.



Figure 2.2: The Map Kano state showing 44 local government areas

Because of Islamic inclination of the people in the state, men control the economy of the family and have the responsibility of providing basic things to the family members. That is why the number of men partaking in business and paid employment is higher than that of women. Women usually have a limited role in sustaining the family financially. Mostly marriage women remain at home as housewives to cater for children and housekeeping. They operate petty business within and around the vicinity of their houses and are restricted from undertaking some business and paid employment. Until recently women education was not considered as a priority.

Kano as a centre of commerce is popular with variety of business of activities such as weaving, gold and blacksmithing, dyeing, leather works and other handcrafts. As one of the most prominent Hausa states, Kano also happens to be the greatest of trans-Saharan trade entrepot in the West African region. It has a rich and eminent cultural antecedence which the Kano's people jealously protected since the 14th century. Apart from trading activities, Kano is popular with agricultural production of both cash and food crops such as groundnut, rice, wheat, maize and millet. The dominant people in the rural areas depend on farming and petty trading as their livelihood.

Kano has the highest concentration of both large and small industries particularly within northern region. There are three major industrial layouts in the state which are Bompai, Challawa and Sharada industrial areas. Kano has at least 8 major markets where commercial and business activities are taking place. These markets are Abubakar Rimi market, Singer

market, Kanti kwari market, Kofar wambai market, Kofar ruwa market, Dawanau market, Yankaba market and Yanlemo market. These markets serve not only Kano but also other states and neighboring countries such as Niger republic, Cameroon, Chad. Apart from these major markets, there are other small markets located in different areas of the state. The markets provide distinct commercial and business activities. Although different groups of micro and small entrepreneurs can be found in all these markets, they also operate in every nooks and crannies of the state especially around residential areas.

The successful operations of the businesses depend on location and availability of infrastructural facilities available. Many businesses were closed today because they could not cope with the harsh condition and infrastructural decay in the state. The entrepreneurs in Kano are currently suffering from inadequate infrastructures and supply of electricity necessary to support their businesses. The other major challenge is lack of microfinance and in 2010 there were only 7 microfinance banks operating in Kano which are grossly inadequate for the population of the state.

The existing capacity of installed transformers in Kano is 450 megawatts. The actual demand is greater than the existing capacity of the transformers. The average supply of electricity in January 2008 was 214.4 mw and 181.8 mw in December 2010 (Table 2.7). This indicates that there was no significant increase in the supply of power in the state. The supply of electricity was actually below 50% of the installed capacity of the existing transformers. Thus, the supply has to be rationed from one location to another. In some places the supply is between 2

to 3 hours in a day which necessitates many businesses in resorting to the use of stand by generators in order to continue operating.

Table 2.7: Monthly average of electricity supplied in Kano state in megawatt (MW), 2008-2010

Month/Year	2008	2009	2010
January	214.4	215.2	188.1
February	204.3	207	202.3
March	214.5	206.3	216.1
April	209.7	196.9	210.9
May	194.3	186.7	188.4
June	160.4	179	191.7
July	205.9	155.6	191.1
August	221.8	168.4	186
September	222.7	199.8	185
October	219.7	207.4	196.2
November	206.1	191.7	188.6
December	215.1	207.6	181.8

Source: Power holding company of Nigeria, 2011

Water supply for both domestic and industrial consumption remains one of the major difficult challenges facing Kano state government. For over 2 decades there is no sufficient water supply in both rural and urban areas of the state. The shortage of water supply varies according to location. Those residing near to the water treatment plants have less experience of water shortage. People resort to building boreholes and wells for domestic and commercial purposes rather than depending on the government sources. There are at least five major water treatment plants for Kano metropolitan and its environs which include Challawa, Tamburawa, Watari, Wasai etc.

The road networks help in facilitating easy movement of persons and goods especially within Kano metropolitan. The state government in its effort for urban renewal is making effort to construct new roads and rehabilitating the bad ones. Effort is also underway to decongest the

city by creating new residential and commercial layouts some kilometers away from the old city. The state government reiterates its commitment of putting necessary infrastructure in the new layouts to make the environment conducive for business and human habitation.

CHAPTER THREE

LITERATURE REVIEW

3.1. Introduction

This chapter primarily concerns with the reviewing of related literature. The study focuses on examining the influence of individual and aggregate variables on entrepreneurship. Previous empirical findings and relevant economic theories on entrepreneurship serve as a basis for understanding the relationship among variables identified in this study. The study tries to bridge the existing gap in the literature by considering the factors that influence entrepreneurship at both individual and aggregate levels at the same time. The chapter is discussed under the following sub titles; definition of entrepreneurship and entrepreneur; business ownership and new business creation; integrating individual and aggregate levels of analysis and theoretical framework and review of empirical studies.

3.2. Definitions of Entrepreneurship and Entrepreneur

The concept of entrepreneurship has been in existence for a very long time (Holt, 1992). Although the term has been used for more than 200 years there has been a total controversy and confusion over its definition (Lambing and Kuehl, 2000). There are divergent views on entrepreneurship since each researcher has developed his or her own definition without improving on the previous works of other researchers (Jennings, 1994). Entrepreneurship is

elusive term and very difficult to define (Koa, 1989). Table 3.1 provides definitions of different economists on how they view entrepreneur and entrepreneurial function.

Table 3.1: Summary of definitions of entrepreneur/entrepreneurial functions

Economist	Concept of entrepreneur/entrepreneurial function
Joseph Schumpeter	Entrepreneur is an innovator who carries out new combinations of economic development, which are new goods, a new method of production, new markets, new source of raw material, or a new organizational form.
Frank Knight	Entrepreneur is a decision maker in an uncertain environment. In that role he determines consumers' want and secure various services and materials to produce the product or service.
Irving Fisher	Entrepreneur is a bearer of uncertainty who reduces the randomness of uncertainty by making forecast and deciding what to do base on subjective speculation. His role as profit receiver makes him an important and distinct economic agent.
John Bates Clark	Entrepreneur is not an uncertain bearer but an arbitrageur who shifts resources toward their most profitable uses.
Frederick Hawley	Entrepreneur is an owner or enterpriser who makes decisions regarding what product or service is to be produced and is also the bearer of uncertainty.
Alfred Marshall	Entrepreneur is a business leader and head of the firm – innovating, coordinating, responding to profit signals, and bearing risk.
Francis Edgeworth	Entrepreneur is a coordinator and middleman that never disappear, even in general equilibrium.

Source: Adopted from Jennings, 1994

One reason behind the failure of the study of entrepreneurship to develop a broadly accepted conceptual and methodological framework is the multidisciplinary character of the earlier studies (Kalantaridis, 2004). The field of entrepreneurship requires multiple views and approaches because entrepreneurial research serves a variety of purposes (Jennings, 1994). Thus, there is the need to look at it from various perspectives in order to have thorough and broader understanding of the concept. The conventional view of entrepreneurship is about mainstream start up of businesses (Hynes, 2009). The concept is broader than the first step of initiating a business venture (Sexton and Kasarda, 1992). Entrepreneurship is also considered as one of the four mainstream economic factors of production (Holt, 1992). An entrepreneur

is vested with the responsibility to bring together land, labor and capital for the enterprise to function. He is called “undertaker” meaning who undertook the risk of an enterprise.

3.3. Business Ownership and New Business Creation

Measuring entrepreneurship is difficult at either individual or aggregate level (Wennekers and Thurik, 1999). Appropriate or suitable proxies were used to measure entrepreneurship in order to help researchers and policy makers so that they can take their bearings (Wennekers and Thurik, 1999). The occupational notion of entrepreneurship consider entrepreneur as somebody who owns a business or being self employed. This can be measured quantitatively through number of business owners or self employed which may follow the view of either static or dynamic nature of entrepreneurship. The static view refers to the number of business owners while dynamic view considers the rate of new business created over a period of time. At the micro level number business ownership may not be appropriate as a measure of entrepreneurship but instead a business ownership measured by capital employed can be a good proxy to entrepreneurship (Foss and Klein, 2005). The use of this proxy can be justified based on the argument of Frank Knight that entrepreneurs are those who take risk by committing their capital and there is no entrepreneur without capital employment (Foss and Klein, 2005 and Evan and Jovanovic, 1989).

Number of business is somehow seems to be suitable proxy for entrepreneurship at aggregate level (Wennekers and Thurik, 1999). The number of new business created over time was used as a proxy to entrepreneurship. The use number of new entries into business registers will

reflect the creation of new business units (Wennekers et al., 2005). Data of registered and unregistered firm can be used as an approximation of opportunity and necessity entrepreneurship respectively (Koster and Rai, 2008). Galbraith and Gabaith (2007) measured entrepreneurial activity by a combined measure of nascent entrepreneurs and new business owners using GEM 2005 data.

In dynamic views, some scholars consider business start up as a measure of entrepreneurship. But this kind of measure is not without shortcoming. Audretsch (1995) pointed out that the shortcomings are methodological. Only net entry of start-up has been used and normally net entry of business start-ups can only be measured over a single period of time. In measuring entrepreneurship the researchers must exercise some caution because infiltration of various kinds of entrepreneurial activities may be a difficult task. Business ownership or new business creations can represent entrepreneurship but their function could be productive, unproductive or even destructive (Baumol, 1990 and Naude, 2008).

A research by Salgado-Banda (2005) aimed at determining the impact of entrepreneurship on economic growth uses two measures. The study used a new variable base on patent data as a proxy for productive entrepreneurship and also uses data on self employment as an alternative.

3.4. Integrating Individual and Aggregate Levels of Analysis

Entrepreneurship is attributed to individual's entrepreneurial behavior which occurs over time and space. The decision to engage in entrepreneurship depends on individual's ability to identify and mobilize necessary resources. The success of the enterprise is not solely dependent on the entrepreneur's ability and personal attributes but also being influenced by other environmental factors (Verheul et al., 2001). It is important in entrepreneurship study to consider wide range of factors at various levels to provide meaningful and holistic view on the phenomenon. The determinants of entrepreneurship such as personality characteristics, socio economic and cultural environment are essential ingredients for formulating suitable policies for entrepreneurial development (Giannetti and Simonov, 2004 and Martins, 2007).

There is paucity of research that simultaneously involves individual and aggregate levels of analysis. Previous studies investigated the determinants of entrepreneurship at either micro (individual), regional or macro (country) level (Arenius and Minniti, 2005; Rocha and Sternberg, 2005; and Wennekers et al., 2005). This study addresses the existing gap in the literature by examining and integrating factors at individual and aggregate levels. There are various push and pull factors at individual level that motivate people to engage in entrepreneurship which help in explaining the pattern and nature of entrepreneurship at aggregate level. In this study unemployment experience of individual entrepreneur is used to indirectly explain how unemployment at aggregate level affects entrepreneurship. It is also used to determine whether entrepreneurship is based on necessity or opportunity in the country (Audretsch, Carree and Thurik, 2001).

Poverty is often described as a lack of income and financial resources to satisfy basic needs and achieve minimum standard of living (Misturelli and Heffernan, 2008). Although necessity pushes poor people to engage in entrepreneurship, it is often difficult when they have no previous income or savings to use as a start-up capital. The negative relationship between poverty and entrepreneurship at aggregate level can be linked with the positive relationship between previous income and entrepreneurship at individual level (Rosa, Kodithuwakku and Bulunywa, 2006). The availability of income or financial resources could increase the potential of the poor people to engage in entrepreneurship. As income or financial resource is increasing more people will be opportune to start up business (Verhuel, Stel and Thurik, 2006) and vice versa.

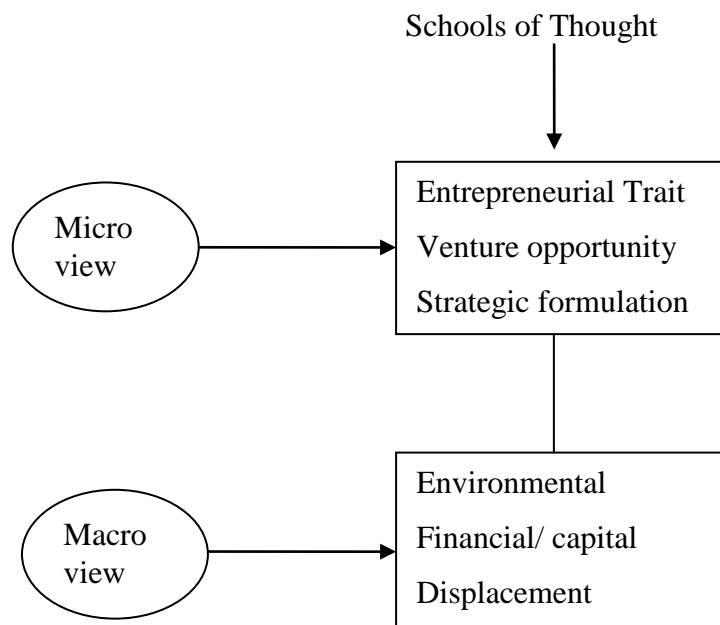
Access to government support and infrastructural facilities is very essential to entrepreneurial involvement. The manner in which people access government incentives and structure of the reward system (rule of the game) determines the nature and type of entrepreneurship. Some types of entrepreneurship may have positive impact on economic growth and some may have negative effect. Therefore access to government incentive and available infrastructural facilities can explain the nature of entrepreneurship at individual level which is linked with economic growth at aggregate level.

3.5. Theoretical Framework and Review of Empirical Studies

This part provides explanation on the theoretical underpinnings of the research work and the review of other empirical studies conducted in similar area of this thesis.

3.5.1. Micro and macro views on entrepreneurship

The basic economic theories of entrepreneurship are important for understanding the process and practice of entrepreneurship. There are various approaches to entrepreneurship which increase the scope and understanding of the field to many researchers and scholars. Kuratko (2007) provides an explicit account of these schools of thought which are sub divided into micro and macro views on entrepreneurship. The classifications can be depicted in Figure 3.1 and discussed as follows



Source: Kuratko (2007)

Figure 3.1: Micro and macro views on entrepreneurship theory

a) Micro views on entrepreneurship

The micro view approach examines factors that are peculiar to entrepreneurship. The potential entrepreneur is assumed to have the ability to control, direct or adjust to the major influences. This approach focuses on specific events in a wider socio-economic spectrum. The schools of thought under this approach are discussed as follows

- Entrepreneurial trait school of thought: This school of thought looks at individual personality traits that are common among successful entrepreneurs. The entrepreneurial trait theory is grounded on the study that successful entrepreneurs have similar characteristics which can be copied by another person to increase his/her potentiality of succeeding as well. Therefore the action of an entrepreneur can be examined in relation to these entrepreneurial traits and their impacts on the entrepreneurial entry and performance.
- Venture opportunity school of thought: This approach primarily focuses on the opportunity side of the business development. It has to do with getting an idea or concept, its development and implementation. Therefore innovation and creativity for market opportunity is the key aspect to this school of thought. This approach reflects the Schumpeter's innovation as a driving force for economic development. The process of innovation became an essential function of any entrepreneurial engagement.

- Strategic formulation schools of thought: This approach to entrepreneurship emphasizes the importance of planning process in business development. Planning is the key aspect to the success of the entrepreneurs. There should be an element of planning in every entrepreneurial endeavor.

b) Macro views on entrepreneurship

The macro views look at the outside factors surrounding entrepreneurial activities. This approach presents a number of factors that relate to the success or failure of the entrepreneurial venture. They look beyond factors within the control of individual entrepreneurs. The views are discussed under the following schools of thought;

- The environmental school of thought: This school of thought focuses on the socio political environment that has a significant influence on the development of entrepreneurs. It deals with the external forces that shape entrepreneurial desire. This theoretical approach is particularly looking at how the institutions, family, culture and values etc affect entrepreneurship development. The factors play a crucial role in accelerating or curtailing entrepreneurial activities depending on the context in which the entrepreneurial function take place.
- Financial/ capital school of thought: This approach considers capital or finance as vital to the entrepreneurship involvement. This school of thought focuses on how entrepreneurs source and expand their capital in order to successfully manage their business ventures.

- Displacement school of thought: This school of thought looks at the negative side of the group phenomena in which individual is frustrated and feels out of place or group. It explains how person is hindered from making progress or advancement. This approach assumes that individuals who are displaced or frustrated are usually motivated to pursue entrepreneurial activity and it can be a source for their subsequent success. The individuals will start a venture when they are prevented from doing other things. Some displacements according to this school include political, cultural and economic problems. The economic displacement has to do with for instance recession and depression which will lead to unemployment, poverty and bad economic woes which in turn become a motivator for entrepreneurship.

3.5.2. Economic theories of entrepreneurship

Table 3.2: Economic theories of entrepreneurship

Period	Early and classical	Mainstream	Austrian	Radical
18 th and 19 century	Cantillon, 1755 Say, 1803	-	-	-
1900 to 1933	Hawley, 1907	Knight, 1921	-	Schumpeter, 1928
1934 to 1966	-	-	Mises, 1949 Hayek, 1937 and 1948	-
1967 to date	-	Baumol, 1968 and 1995 Casson, 1982 and 1998	Shackle, 1970 Kirzner, 1981 and 1987	Choi, 1993 Harper, 1996

Source: Adopted from Kalantaridis, 2004

Economic theories provide the basic explanations on the relevance of entrepreneurship in economic discourse. There are divergent arguments on how economic theorists view

entrepreneurs and entrepreneurial functions. The Table 3.2 provides classification of economic theories based on their respective school of thought.

3.5.2.1. Early and Classical economic theories

The early intellectual contribution to the field of entrepreneurship is attributed to the work of Richard Cantillon and Jean-Baptiste Say. Their contributions to the theory of entrepreneurship are discussed below;

Richard Cantillon (1680 – 1755): Cantillon is widely acknowledged as the early contributor in understanding entrepreneurship (Kuratko and Hodgett, 2007). He provides the earliest attempt to the understanding of entrepreneurial function in the field of economics. Entrepreneurship as a concept gathered prominence following his writings in which risk taking was identified as one of the entrepreneurial roles. Cantillon is credited by given the concept of entrepreneurship a central role in economics in which he described entrepreneur as a person that buys at a certain price and sell at uncertain price (Holt, 1992). The action of entrepreneurs indicates their willingness to take risk by committing resource to start up a venture. The uniqueness of the Cantillon's entrepreneur is the ability to predict and have confidence to operate under uncertain conditions (Kalantaridis, 2004).

Jean- Baptiste Say (1767-1832): Following the early work of Cantillon, Say creates a distinction between function of the entrepreneur and capitalist. This division influences Say to explore factors that determine the supply of entrepreneurial talent (Kalantaridis, 2004). He identified factors of production which include land, capital and human industry. Human

industry is further classified into action of entrepreneur, scientist and the workman. But Say did not see the function of these people as equally important. Both scientist and workman are important but it is the entrepreneur that drives the productive process (Jennings, 1994). An entrepreneur is the one that applies the theory of scientist and direct the workmen in execution process.

Much has been written about the classical economics and one can trace the classical economists' tradition to the works of Adam Smith, David Ricardo, and Karl Marx etc. In this tradition the major concern of the classical economists is how to create "production of surplus". Resources are assumed not to be scarce but it is spread through nature in different quality (Khalil, 2006). The economic problem of the classical economics is how the agent can work in a productive way within the constraint of low quality resource to create surplus. For instance to economist land is not scarce but it varies geographically in term of quality and content, hence the agent must devise productive means in order to create surplus.

The classical economists' major policy conclusion is increasing surplus through curtailing unproductive activities. The agent has to work productively and abstain from any luxury consumption that is neither necessary nor important. The classical paradigm is not about making optimum combinations of input to maximize output, but it is about the application of productive capacity to harness the less accessible resources for readily human consumption (Khalil, 2006). The entrepreneurs act as agents to productively achieve the goal of creating surplus. Although the classical economists mentioned clearly the role of agents, they did not

recognize the unique role of entrepreneurs in the production of surplus. Failure of the classical to provide an explicit role of the entrepreneur explains the neglect of entrepreneurship in the framework of classical economist. Some argued that Smith did not understand or use the concept of entrepreneur at all (Formaini, 2001).

3.5.2.2. Mainstream/Neoclassical economic theories

The basic question in neoclassical economics is on scarcity. Thus there is need for efficient allocation of resources. The neoclassical economists failed to link the action of individuals in efficient use of resources to innovation/ creativity. The notion of efficiency cannot explain creativity. The neoclassical economists' notion on scarcity is narrow and differs in common usage (Khalil, 2006). They failed to incorporate how the scarce resources can be harnessed creatively. They assumed that resources are only given therefore nothing can be done to enhance it. In fact an entrepreneur has the ability to mobilize resource to achieve certain goals.

For an agent to efficiently allocate resources, a reference shall be made to marginal utility as a result of consumption of a given resources. Individual can make a decision to further use additional resources or turn to another depending on the additional satisfaction he/she derived. In respect to argument of minimization and maximization, the actor is only trying to response to stimuli. The action does not reflect changes or motivation for technological innovation and creativity. The major contribution under neoclassical school is discussed below;

Frank Knight (1885- 1972): The work of Frank Knight has been very influential in the advocacy of the mainstream thinking on entrepreneurship. The main contribution of Knight was the distinction between risk and uncertainty. Knight theorized that an entrepreneur must take responsibility for making decision under uncertainty. However, he did not draw a distinction between capitalist and entrepreneur and did not see entrepreneurs' profit as a compensation for investing in an uncertainty situation. But he considered it as the uncertainty based on the difference between the anticipated resource value and their actual value (Jennings, 2004).

3.5.2.3. Austrian economic theories

Mises and Kirzner are among the prominent contributors in the Austrian tradition and their contributions are discussed below;

Ludwig Von Mises (1881-1973): Mises has made enormous contribution to the entrepreneurial theory. He started by examining the confusion caused by different themes of entrepreneurship and entrepreneur. Mises had argued against any attempt to attribute discrete activities to particular group of people. He tries to mitigate the confusion by creating a distinction between entrepreneurship and promotion (Montanye, 2006). Mises sees entrepreneurship as an imaginary construction of functional distribution. The specific entrepreneurial function has to do with determining the use of the factor of production. The entrepreneur is the one that channel the factors to a special purpose driven solely by selfish interest in making profits and in acquiring wealth (Montanye, 2006). Mises considers

promoters in place of entrepreneurs who are especially eager to make profit from altering production process to the expected changing conditions in the business environment, those who have more initiative than the crowd and promoting economic performance. He also argued that conceptualization of entrepreneurship include all actions in the market which are human.

Israel Kirzner (1930 to date): Kirzner built his work on the idea developed by Mises and Hayek. In response to the criticism raised by his fellows, he refined the conceptualization of entrepreneur. Kirzner's contributions are enormous to the thinking of Austrian school and the theory of entrepreneurship. He particularly stated that entrepreneurs are people who are alert to find and exploit profit opportunities which became the equilibrating forces in the market (Van Praag, 1991). Kirzner emphasized the process of continuous discovery of market opportunities. Entrepreneurs can be classified as producers but they can only become real entrepreneurs when they make some discoveries. Kirzner's entrepreneur is someone that requires no special ability or personality attributes to exercise his function. Kirzner's view of alertness to profit tries to bring back the market to an equilibrium position which was altered through the process of innovations.

3.5.2.4. Schumpeterian theory of economic development

The contribution of Joseph Schumpeter (1883 – 1950) in explaining the process of economic development through entrepreneurship gained prominence among scholars, managers and development economists. Despite Schumpeter's enormous contribution, most of his students

went on their own way without hinging on his thought and ideas on the development of modern state of capitalism. Schumpeter had left no conclusive theoretical system to his students. As Witt (2002, pp 7) put it “what he has left rather was an oeuvre dealing with enormous broad range of topics in rather eclectic fashion, albeit framed by and interpretation within a distinct economic world view”.

Schumpeter's theory focuses on the process of economic development by putting entrepreneurship and innovation as an internal mechanism of change with cyclical fluctuation that influence the direction of development process (Ebner, 2000). To Schumpeter economic development actually proceed as an evolutionary process. The Schumpeterian entrepreneur is an agent of change who is the source for creative destruction in the economy. The entrepreneurs introduce a new product, new method of production, open new market, new source of supply and creates new organization. They are identified as the internal carriers in which change in the capitalist economy occur.

Schumpeterian entrepreneurs are opposing to the conventional way of doing things through continuous innovation. The term innovation according to Schumpeter represents a ‘new combination’. Entrepreneurship is based on action in form of creative realization of the imagined opportunity in the market. Innovation requires a certain entrepreneurial leadership abilities which have to do with visionary guidance. Schumpeter appreciates the fact that innovation is a difficult task for someone to do (Flulai Yu, 1997). He also asserts that

innovations are discontinuous because it is something difficult and only accessible to people with certain qualities.

In equilibrium state resources meet the expectations in which the role of an entrepreneur is purely routine managerial role rewarded by profit and any change in either need or want of resources will disturb the equilibrium. Normally the disturbances come in the form of innovation or doing something new. In a free market economy entrepreneur is the figure and champion of economic development for carrying out new combination (Jennings, 1994). The process of innovation is a means through which entrepreneurs continuously exploit technological possibility for new commodity or producing an old one in a new way (Keissling, 2004). Innovation may result in chain reactions which may have per reaching implication on the economic progress. One innovation may breed another form of innovation and it does not appear independently. Table 3.3 shows the Schumpeter's mode of economic action that distinguishes between ordinary and entrepreneurial action.

Table 3.3: Schumpeterian type of economic action

	Ordinary	Entrepreneurial
Response	Adaptive	Creative
Behavior	Hedonistic	Energetic
Position	Following	Leading
Motives	Habitual	Visionary
Action	Routine	Spontaneous
Change	Gradual	Discontinuous

Source: Adapted from Ebner, 2000

3.5.3. Liquidity Constraints for Entrepreneurship Development

3.5.3.1. Start-up capital and income

The theory of liquidity constraint explains how people are hindered in realizing their business dreams due to lack of resources (Evans and Jovanovic, 1989 and Hurst and Lusardi, 2004). A liquidity constraint is a limit which prevents individuals from fully optimizing their behavior over a time period. It is mainly due to risk based behavior on the banks or any financial institution and other problems arising from the ineffectiveness of the system. Theory of discouraged borrower explains how people with entrepreneurial potentials fail to secure fund because they have already lost confidence in the manner in which fund is being processed (Kon and Storey, 2003). Hence they refused to apply to any institution for finance in whatever form. In a situation where a good borrower refuses to apply for a bank loan because he/she feels that his/her application will be rejected is considered as a discouraged borrower. Mahanna (2007) found in South Africa that credit constraint is one of the major factors discouraging people from starting or expanding their business.

The decision to be an entrepreneur is usually dependent on many factors which include availability of fund or capital. The most frequently cited problem to new business creation is the inability of prospective entrepreneurs to acquire the necessary capital to start up a business of their choice (Hurst and Lusardi, 2004). Evans and Jovanovic (1989) and Irwin and Scott (2010) in US; Fonseca, Micland and Sopraseuth (2007) in European countries and US found that lack of capital or financial constraint prevents a large number of people to become entrepreneurs.

Evans and Jovanovic (1989) in the US found a positively significant correlation between asset and the probability to start up a business. While Fonseca et al. (2007) in European countries and US found that the relationship between wealth and probability of being an entrepreneur is positively and statistically insignificant. In most cases asset is a function of individual income from savings or investments. It means Individual without income might have less or no asset which will be converted to capital for starting entrepreneurial activity.

A study of Buera (2009) in the US shows that the problem of financial constraint in starting up business implies a non monotonic relationship of wealth of the person and entry into entrepreneurship. The probability of people becoming entrepreneurs is increasing for low wealth level and decreasing for a high wealth level. Buera (2009) in the US states that the relationship between entry into entrepreneurship and wealth is often considered as evidence for positive borrowing constraint. The relationship between wealth and the propensity to start a business in an industry that requires low capital is nearly identical to the relationship between initial wealth and propensity to start business in an industry that require high starting up capital (Hurst and Lusardi, 2004). Evans and Jovanovic (1989) and Fizzari, Hubbard and Petersen (1987) in the US found that small business are more likely to suffer liquidity constraints than the big business. In Italy Magri (2009) found that an increase in household initial non business net wealth has a positive and significant effect on the probability of becoming an entrepreneur.

Hurst and Lusardi (2004) in the US found that the relationship between the initial household wealth and the propensity to start business is highly non linear. Fonseca et al. (2007) examine the relationship between wealth and the fraction of entrepreneurs in the European countries and US. The result of their study supports the liquidity constraints and the likelihood of entering into entrepreneurship is a function of individual's wealth while the introduction of start-up cost tends to flatten the relationship.

People with entrepreneurial intention tend to save more money compared to those without entrepreneurial intention. There is a need for understanding the endogenous determination of wealth in order to interpret the correlation between entry into entrepreneurship and wealth (Buera, 2009). Personal saving and loan from family and friends play a critical role because it is the major source of finance to most business start up. The role of personal savings become less once the firm is established because the institutional investors or creditors can perceive less risk and have confidence to provide finance (Evans and Jovanovich, 1989). However, liquidity constraint reduces the total amount of capital flow to entrepreneurial activities and completely prevents some people from engaging or trying to be entrepreneurs. Entrepreneurs' potential growth is limited to the capital available for their business.

Generally, finance is very important to the prospective entrepreneurs and those that have already started their business. It is a critical element for development of small and medium enterprises (Zhang and Si, 2008). Insufficient access to sources of microfinance remains a serious barrier to MSMEs in terms of start up, growth and employment. For instance in

France 72% of those owning a business do not receive bank loan to start up their business (Mulfinger, 2010). Various studies have highlighted the limitation of access to finance to MSMEs compared to their counterpart large companies and how it is affecting the growth and development of MSMEs (Zhang and Si, 2008).

The inaccessibility of finance to micro and small entrepreneurs become a source of concern to both the government and entrepreneurs. There are several reasons for the inability of entrepreneurs to access fund (Irwin and Scott, 2010; Zhang and Si, 2008 and Mulfinger, 2010). Irwin and Scott (2010) in the US and Zhang and Yang (2006) in China found that owner manager's personal characteristics such as ethnicity, gender and education are additional barrier in accessing finance apart from the most known barrier imposed by the industry nature. An individual/personal characteristic is considered in a probit regression as one of the determinants of entrepreneurship (Muhanna, 2007).

The influence of personal characteristic can be in form of entrepreneurs' propensity to take risk and the extent of their ability to take decisions not only on finance but also on the future of their business. Therefore entrepreneurs' decision making ability should be considered as a personal characteristic (Zhang and Yang, 2006). The research outcome of Irwin and Scott (2010) suggest that personal characteristic did make some difference to the ability of individual entrepreneurs to access fund for their venture, while education appears to make a little difference in sourcing of finance.

Access to finance is also influenced by risk aversion motives of the financiers which make banks to have preference over funding less risky venture and one that promises return of the principal capital. This motive will automatically act against entrepreneurs and ethnic minorities that are not credit worthy. Many evidences are found in the literature on difficulties faced by some group of entrepreneurs in accessing finance (Ram and Smallbone, 2001; Ram and Deakings, 1996 and Irwin and Scott, 2010).

Another important factor that limit access to finance which also affects the growth of the firm is its initial size. Small firms usually stand at the disadvantage by their size and age. Becchetti and Travato (2002) study supports Gilbrat Law by accepting hypothesis of independence of firm's growth from the initial size and other factors for large firms, while rejecting independence of firm's growth from initial size for small and medium size enterprises. The problem of accessing finance is not only peculiar to developing world but also common in developed economies. Many governments came up with policies to support the growth of the MSMEs.

Bechetti and Travato (2002) stated that lenders may not want to risk their funds to people that are new in the business arena that lack requisite knowledge of the market. They are not even sure whether the business will be sustained or not. They prefer funding an existing business which credit worthiness can be assessed based on the previous transactions. In some instances, even the established small business suffers the same problem of discrimination

between them and the large firms. Most of the banks believed that large firms are more secured compared to small ones.

Large firm can be assessed easily through their financial record and balance sheet which may be readily available but it is not the case for small business. Firm size and age affect its performance and ability to gain access to external finance (Bechetti and Travato, 2002). Large size firms have more competitive power to sustain their market share and they are more secured in loan repayment. It is presumed that the large firms have passed through some hurdles to survive as reflected by their track record in which the decision of the lender can be based on. This means that age of the firm is important in securing loan and those firms are more reliable and viable compared to newly form small businesses. The banks or lenders find some difficulties in assessing small business worthiness to repay loan (Vera and Onji, 2010).

Banks are often compelled by the need to minimize risk to embark on credit reforming and selection criteria that are adverse to small business entrepreneurs (Black and Straphan, 2002; Vera and Onji, 2010; Irwin and Scott, 2010; Steijvers and Voodeckers and Vanhoof, 2010 and Cowling and Mitchell, 2003). Small business entrepreneurs employed a wide range of finance options for their business. Rouse and Jayawarna (2006) categorized these options into three types. They are personal investment which includes personal saving and gift from family and friends, private external finance which includes loans, overdrafts, equity finance etc and public investment in form of public equity finance, subsidized loans and enterprise grants. This categorization may not encompass all other sources for small business entrepreneurs

because they can employ other means available. Despite these ranges of diverse sources of finance, still the small business faces serious difficulties in getting access to business start-up capital. It is very easy to use personal investment to start up business compared to other means. People who are employed and have business ambition can easily save some part of their income for future business start up (Evans and Jovanovic, 1989).

In most cases, income may not be sufficient enough to allow saving for business start up especially among poor who has entrepreneurial talent and ability. Poor people may have the ability and enthusiasm to become entrepreneurs but they are highly constrained of finance. They cannot save for the future and cannot source external finance because they may not have collateral to backup their loan request. Sometimes even the banks are reluctant to give credit to entrepreneurs who have low level of wealth (Fonseca et al., 2007).

In his study, Magri (2009) in Italy analyzed the importance of personal wealth in the process of deciding to become an entrepreneur and the probability of having a bank loan. Personal wealth is less important for the probability to become an entrepreneur than other external sources. The problem of accessing private external finance is related to lack of information rather than lack of available credit. Assessing the credibility of the borrowers is difficult if there is no track record or collateral.

Evans and Jovanovic (1989) consider liquidity constraint as central to the dispute between Frank Knight and Joseph Schumpeter on the nature of entrepreneurship. The argument of Knight was based on the fact that the entrepreneurs have the sole responsibility of providing

capital or finance for their business. He argued that capital market can only do little to entrepreneur in provision of capital because of the moral hazard and selection process. Lenders are very conscious about riskiness of money they give out and probability of not losing their money. He believed that nobody else will bear such risk except the entrepreneur.

Schumpeter creates a distinction between entrepreneurs and the capitalists (Evans and Jovanovic, 1989 and Magri, 2009). Schumpeter believed that the responsibility of the entrepreneur is to identify existing arbitrage opportunities while the role of the capital market is to enable the entrepreneur to get a capitalist who will bear the risk for the opportunities identified by providing capital. The Knight's argument seems to be more acceptable given the trouble faced by small entrepreneurs of liquidity constraint. The small entrepreneurs are the most disadvantaged in accessing fund from either venture capitalists or business angel.

Venture capitalist and business angel play a minimal role in new business creation (Lam, 2010). They make a little impact on early stage financing of new business and prefer funding larger ventures and often repeat their investment in the same venture. Evans and Jovanovic (1989) in the US particularly examined the importance of liquidity constraint by estimating a model of entrepreneurial choice. Starting up venture entails possession of not just entrepreneurial ability but also asset. There is apparent need to correlate this entrepreneurial ability and asset of the people concerned. If asset endowed by an entrepreneur is less than the financial capital required for the business, the entrepreneur may resort to outside intervention. The financial capital that the entrepreneurs may devote to business is multiple of their assets

and this is a measure of the degree of liquidity constraints (Evans and Jovanovic, 1989). The positive relationship between entry into entrepreneurship and wealth is an evidence for borrowing constraints (Buera, 2009).

3.5.3.2. Bank and Credit Availability to Entrepreneurs

The role of financial system is to match people with productive idea and those with money in order to actualization of their ideas (Beechetti and Pisani, 2010). Banks are generally known for financing projects in either short term or long term. The banks take several steps to assess individuals, companies or firms requesting for loan to minimize riskiness of investing their money into the wrong hands.

Steijvers et al. (2010) believed that the relationship between small businesses and banks is often characterized by asymmetric information, adverse selection and the problem of moral hazard. However, because of the failure of the big banks to take care of the small business, micro finance institutions emerge as an alternative to overcome such financing problem. Some of these institutions have rapidly become very successful particularly in providing small money to poor or disadvantage (Beechetti and Pisani, 2010).

Unlike the conventional banks, micro finance institutions provide flexible micro loan without collateral from the borrowers. The system of pledging of collateral to secure a loan is very widespread among banks in credit acquisition process. Steijvers et al. (2010) highlighted that

from the perspective of value maximizing firm, collateral would impose costs and will create benefits for both parties. The benefits of pledging for collateral include the reduction of agency costs, reducing the information asymmetries and limitation of possible legal claims etc. The issue of credit rationing stemmed from asymmetric information (Kon and Storey, 2003; Cowling and Michell, 2003 and Steijvers et al., 2010). Mostly small businesses failed to secure loan because of the adverse selection by the bank. The lack of success of securing bank loan continue to serve as de-motivating factor among small business entrepreneurs and some became discouraged to apply for another time.

Some entrepreneurs may not even try at all because of the presumption that their application will be rejected. Part of the problems that caused bank to reject or fail to provide loan to small business entrepreneurs is lack of adequate information about the firm and perhaps lack of proper screening method. Sometime it turns out that those with potential to repay are rejected and those that are less likely of repayment are accepted. This issue poses serious threat to the applicants and in some occasion discourages some entrepreneurs from applying for bank loan any more. Kon and Storey (2003) in the US examined the implication of SME financing market of application costs that vary between firms and the imperfection of the screening process of the applicant by banks.

Some argued that the use of collateral as a security may mitigate the information asymmetry. The relationship between the lender and borrower can significantly reduce the information gap because it will facilitate the screening process and reduce the gap in information. It is

pertinent to reiterate the role of micro banks for having close interaction with small micro business owners. Black and Strahan (2002) argued that this particular role reflect their comparative advantage in relationship lending. The relationship has an impact on the use of collateral. The incidence of using collateral become lower as the relationship matures (Steijvers et al., 2010). Small banks are better than large banks in relationship lending. This is because the small banks are flexible and look for simple data while the big banks may specialize in transaction lending to big firms in which their decision will depend on other information such as in financial statement (Black and Strahan, 2002).

Blank and Strahan (2002) pointed out that increased competition, deregulation and consolidation in banking sector have led to a decrease in the importance of small banks. Furthermore, the finding of Vera and Onji (2010) in US shows that bank consolidation and decrease in the number of small banks do not affect the lending of small ventures. The large banks actively engage in lending to micro and small businesses. Banking policies such as branching and interstate banking reform foster competition and consolidation of banking sector help entrepreneurs.

3.5.3.3 Financial Bootstrapping by the Entrepreneurs

Sourcing for external debt or equity financing for small business is very difficult which cause the entrepreneurs to look for various alternatives. Since the vast majority of the small businesses are not likely to be beneficiaries of venture capitals or business angel investment,

the business owner devise means and methods to get the necessary resources which minimize the demand for outside fund or equity finance from banks.

A number of entrepreneurial finance strategies are initiated by the entrepreneurs in order to survive and sustain their business. One of the financial strategies proved to be relevant and important is financial bootstrapping. Financial bootstrapping has been defined by Lam (2010, pp 273) as “the use of methods for meeting the need of resources without relying on long term external finance from debt holders and/or new owners.” Bootstrapping is not entirely new but it has been used by many entrepreneurs to solve their financial need. It is dependent on the entrepreneur’s ability and creative means to manage their financial needs (Lam, 2010). Attempt has been made to identify some bootstrapping techniques employed by small business. Six types of bootstrapping methods were identified by Ebben (2009). They are as follows:

- i) Owner-provided financing and resources
- ii) Account receivable management methods
- iii) Sharing or borrowing of resources from other firms
- iv) Delaying payment
- v) Minimizing resources invested in stock through formal routines
- vi) Use of government subsidies.

Given the rate of failure by the government institutions to provide sufficient funding in order to boost entrepreneurial activity and couple with entrepreneurs' constraint to have personal wealth or asset to invest in business, bootstrapping becomes inevitable to innovative and growth oriented entrepreneurs. There is a funding gap that exists particularly in the small business sector. In most cases micro and small business secure their finance from informal sources such as family and friend and personal savings. Rouse and Jayawarna (2006) in UK confirmed that there is a significant difference between the percentage usages of personal saving among category of entrepreneurs. The result also indicates that significant loan from family and friends are less accessible to new entrepreneur scholarship (NES) scholars than in the total UK start up population. But the result shows that the differences are not statistically significant.

3.5.4 Age and entrepreneurial involvement

There are considerable number of studies that examined the relationship between age and entrepreneurial engagement e.g. Lin et al. (2000), Bergmann and Sterberg (2007), Levent et al. (2003), Borjas and Bronars (1989) Rogott (2008), Nestorowicz and Tyrowicz (2009), Greene (2005), Curran and Blackburn (2001), de Kok, Ichou and Verheul, (2010) Van Es and Van Vuuren (2010) and Verheul and Van Stel (2010). Most of the prominent arguments in the literature are on what category of people are more prone to entrepreneurship and self employment. Van Es and Van Vuuren (2010) reported that in Netherland the rate of business ownership is highest among people between the ages of 25 to 44 years. Veheul and Van Stel

(2010) in Netherland also revealed that people at the ages of 25 to 34 years have higher probability of engaging in business start up than the older people.

de Kok et al. (2010) further explained that relationship between age and entrepreneurship is more likely to be indirect. This is because many factors can mediate between age and entrepreneurship. Age usually affects the individual characteristics such as health, skill, experience and availability of both social and financial capital etc. These features of an individual may in turn affect the decision to involve in entrepreneurial activity. The direct relationship between age and entrepreneurship is somehow ambiguous due to mixed results from various studies. Lin et al. (2000) in Canada, Bergmann and Sterberg (2007) in Germany, Levent et al. (2003) in Turkey, Borjas and Bronars (1989) in US, Leoni and Falk (2008) in Austria, Dawson et al. (2009), Henley (2005) in UK and Andersson and Hammarstedt (2010) in Sweden found that the relationship between age and entrepreneurial activity is positive and statistically significant. Bonte et al. (2007) asserts that empirical studies that came up with positive result usually reflects an inverse U shaped relationship between individual's age and decision to become an entrepreneur. Geogellis et al. (2005) in US also discovered that such relation is non linear. This means that entrepreneurial involvement is increasing with age to a certain level where it will start declining. Delmar and Davidsson (2000) in Sweden, Norway and US and Lin et al. (2000) in Canada found that the relationship is negative and insignificant.

There is a wide range of arguments on why old and young people decide to become entrepreneurs. A study of Greene (2005) in UK shows that young people find their entry into labor market as a complex one because they can be hired and fired any time. High level of latent entrepreneurship among youth has not being translated into having high rate of young people starting up business on their own. Many people will decide to own a business after retirement. People who prefer to continue working will only choose to become entrepreneurs when they face age discrimination or lack of any other attractive employment option. A research undertaken by Roper et al. (2004) in the US found that 69 % of people aged between 45 and 75 years who are currently working have a plan to continue with wage employment beyond their retirement age. This is due to the fact that working as an employee gives them more confidence and feeling of security than being a self employed after retirement.

Curran and Blackburn (2001) stated that one of the reasons for the reluctance of working people to move to entrepreneurship is perhaps because of high level of satisfaction with their present employment. The impetus and motivation which significantly affect the involvement of people into entrepreneurial activity in some countries is largely as a result of switching over from centrally planned economy to capitalist market economy (Nestorowicz and Tyrowicz, 2009). The entry into entrepreneurship may depend on the dynamics and vagaries of labour market characteristics and country's peculiarities (Nestorowicz and Tyrowicz, 2009). A large number of self employed in Latin America are common among youth than the older cohorts of working people. In fact self employment became a strategy for the youth who

find difficulties in securing wage employment (Llisterri, Mantis, Angelelli and Tejerina, 2006).

The government of UK particularly encouraged old people to be economically active. Curran and Blackburn (2001) points out that one way to mitigate the dependency on welfare and the effect of employers' discrimination toward old people in UK is to encourage them to become self employed. For young people, the government has other reasons for supporting them to become entrepreneurs. Greene (2005) came up with two reasons, the market failure as a result of insufficient competition and information and the desire of policy makers to elicit social outcomes that the market failed to provide. Satisfying social goal is particularly important when considering youth problems because high number of unemployed youth may portend danger to the entire society. There will be more social and economic unrest and escalation of crimes in the society which in turn raise the running cost of the government or state in term of unwarranted security expenditure.

Blanchflower and Oswald (1998) stated that supporting youth entrepreneurship is very important because it will promote innovation, increase competition, create jobs, promote self reliance as well as making them to be responsive to the opportunities evolving now and then in their society. Both young and old people face varying degree of constraints and at the same time motivated by different factors to start up business. Nestorowicz and Tyrowicz (2009) stated that a representative of the youth cohorts would not be involved in starting business because of lack of resources such as startup capital, skill and experience. Meanwhile old

cohorts cannot afford to take risk and have potential lost which may not be regained due to old age or retirement.

3.5.5. Gender in Entrepreneurship Development

Social capital theory explains how women entrepreneurs can overcome their entrepreneurial challenges and become successful in their business (Field, 2003). Previous studies have discussed the degree of involvement of both men and women in entrepreneurial activity. Business ownership has traditionally assumed to be a male domain (Gray and Finley, 2005). Although women also own business or enter into partnership with their associates or siblings, they often become inactive or silent partners (Mulholland, 1997 and Rowe and Hong, 2000). The study of gender is very significant considering the need to improve competitiveness as well as promoting private sector development of some developing countries. Bardasi, Blackden and Guzman (2007) in their study in Africa pointed out some reasons why gender issue is very important. Women appear to play active role in the informal sector in African countries and their entrepreneurial activities account for not more than one third of all the firms operating. Informal sector plays tremendous contribution to the economy of both developed and developing nations.

There are few studies that investigate factors that determined entrepreneurial activity of men and women from a country perspective. Gray and Finley (2005) in Morocco attempt to explore how women operate their business within the context of cultural and Islamic religion. The importance of the larger socio-economic context for women's entrepreneurial activity has

been highlighted in the gender and entrepreneurship literature. Arenius and Minniti (2004) and Verheul et al. (2004) compared entrepreneurial activity across countries between men and women. The comparative result for these countries was interpreted with caution because of different social and economic contexts in each country (Stevenson and Lundström, 2001). Macro level analysis of different countries is needed, as it may contribute to a better understanding of the differences between women and men entrepreneurial activity and determine variation in men and women entrepreneurship rate (Driga, Lafuente and Vaillant, 2005)

The average level of female total entrepreneurial activity rate (TEA) across 34 countries in GEM research was revealed. Men are more active in entrepreneurship than women in all countries in the study. In middle income nations there is a wide gap where men are 75% more likely to be active entrepreneurs, compared to 33% in high-income countries and 41% in low-income countries (Lotti, 2006). The result also shows that Ireland has a higher level of entrepreneurial activity than other countries in Europe (Humbert and Drew, 2010). Despite this high level of entrepreneurial activity, female entrepreneurship is quite low. Additionally, women participation in entrepreneurship is 1.6% in Hong Kong and Slovenia, 5 % in Japan, 24.4% in Ecuador, 25.5% in Uganda and 39.1% in Peru. The distribution between men and women in entrepreneurship is associated to each country's economic conditions. In case of necessity based entrepreneurship the ratio of female to male entrepreneurs is higher in low-income countries such as Ecuador, Hungary, Peru, and South Africa than in other high income countries. The gap between male and female is reducing in high-income countries such as

Finland and the United States which may be due to a well articulated program, cultural changes, and entrepreneurial education for women (Lotti, 2006).

Women and men have different reasons for starting up business (Gatewood et al., 1995; Scott, 1986 and Shane et al., 1991). In some of the literature the consensus is that men are more willing to become owners of small businesses because of financial considerations and are more likely to be pulled into starting their business ventures. While women are more likely to become owners because of lifestyle issue and are more likely to be pushed into self-employment (Cromie, 1987; Scott, 1986, Brush, 1992 and Buttner and Moore, 1997).

Some research on gender motivational factors examined whether the existence of “push” or “pull” factors vary according to sex and whether push factors are predominant among women (Humbert and Drew, 2010). Women are motivated by push factors because of their weaker position in the society or labour market (Hughes, 2003). The lack of alternative job opportunities is a more important factor in pushing women towards entrepreneurship than for men. Women who are unemployed and poor may be motivated to provide job for themselves especially if they are the head of the household or in case where the household head’s income is very low to cater for the family needs. Women facing this problem will be necessitated to start business to support and sustain family basic needs (Sarri and Trihopoulou, 2005). The implication of necessity kind of entrepreneurship is that as time goes on when the husbands’ or family’s economic condition greatly improve there is a possibility that they will abandon the business especially if they are facing some difficulties in managing the business.

Other researchers could not establish any evidence that push factors prevailed over pull factors (Orhan and Scott, 2001 and Sarri and Trihopoulou, 2005). Many women are now actively involved in self-employment (Australian Bureau of Statistics, 2005). Most of the businesses started by women used less start-up capital, common technology, and operate in existing markets as compared to men. This suggests that women entrepreneurs may tend to avoid risky business and are driven by necessity not opportunity in the market.

Many studies have shown that the relationship between gender and entrepreneurship is statistically significant (Scherer et al., 1990; Leoni and Falk, 2008; Lin et al., 2000; Dowson et al., 2009; Henley, 2005 and Startiene and Remeikiene, 2008). Some studies indicate that women are less likely to become entrepreneurs (Lin et al., 2000 in Canada; Dowson et al., 2009 in UK and Startiene and Remeikiene, 2008 in Lithuania) and the result is reaffirmed in other studies that men are more likely become entrepreneurs (Scherer et al., 1990 in US; Henly, 2005 in UK; Leoni and Falk, 2008 in Austria and Bergmann and Sternberg, 2007 in Germany).

For an entrepreneur to be successful there are several things that need to be done persistently and assiduously. Entrepreneur needs to be self confident, risk taker and highly committed to the business. People generally believe that men entrepreneurs are more confident and optimistic in exploring opportunities than their women counterpart. Women depending on the culture usually face some restriction on their activities which make them dependent and reluctant to grow their business to a higher level. Women deliberately keep their business

small because they have low propensity in perceiving new business opportunities (Zinger and Le-brasseur, 2007).

Women involvement in the entrepreneurial activity has increasingly changed the face of business in the world (Winn, 2005), because they involved almost in all the service sector of the economy. The service sector is the most and fastest growing sector of country's economy. The increasing involvement of women in business ownership and entrepreneurial activity is very crucial for a long term economic growth (Wilson, 2010). Women were able to formalize and expand their businesses to enhance productivity and create a large number of employment opportunities. Thus, gender disparity is not only disadvantage for women but also mitigate the growth potentials of many countries. The importance of gender and the need to address barriers to entrepreneurial activity is an essential for entrepreneurship development. Women entrepreneurs are the disadvantaged because they lack access to finance, training and education especially in some developing countries (Ekpe, Mat and Razak, 2010). But some women were able to overcome many of these barriers especially access to finance.

Welter and Smallbone (2008) in their study used institutional approach to analyze the institutional embeddedness of women's entrepreneurship in Uzbekistan. The institutional theory was adopted as a frame of reference and it is found that informal institutions in Uzbek society greatly contribute to the present form of women entrepreneurship. During the pre-Soviet times women in Uzbekistan live under the doctrine of Islamic shari'ah. They were only allowed to engage in business within the confine of their homes. Despite the improvement on

the situation, the system failed to overcome the deeply rooted traditional attitudes toward women's involvement in economically productive activities.

In recent studies social networks have been considered as essential to the survival of women entrepreneurship. In many respects women value their ability to develop relationship with others (Wendy and Siong, 2007). Individual's social network serves as an inspiration for their entrepreneurial career (Klyver and Grant, 2010). Social capital could help to a large extent in increasing the rate of entrepreneurial participation of women. The concept of social capital has become more recognized due to societal and environmental pressure that necessitates collaborations and networking to deal with wide range of socio-economic issues.

Social capital theory explains how lack of access to social network can limit individuals' ability to access finance particularly among women. Meanwhile human capital theory provides an explanation on why women with high level of educational attainment and experience have greater a chance of securing finance and even succeed in their business than others (Irwin and Scott, 2010 and Rose, Kumar and Yen, 2006). Gender makes a little difference to the choice of finance. Women find it easier to secure loan because they have better track record in loan repayment than their men counterpart. Ethnicity makes difference in sourcing of finance in which Asians are more frequently utilizing family source while black people are more frequently using re-mortgage home and using personal bank loan (Irwin and Scott, 2010).

The spirit of social capital enables women to achieve things they could not achieve alone or something they could achieve with enormous difficulty. Women's networks actually count on their success in their entrepreneurial activity. Wendy and Siong (2007) asserted that informal mentoring supportive relationships could be one of the best ways of establishing a new business and will go a long way in helping the women entrepreneur to surmount the obstacles that hinder growth, success and women entrepreneurs' personal fulfillment.

Allen et al. (2007) provide a distinctive explanation of social capital that normally occurs as a result of family relations. This special form of social capital refers to as family social capital and it is significantly associated with the likelihood of becoming an entrepreneur. For instance, in Malaysia women entrepreneurs have a shortage of peer support networks compared with the men (Wendy and Siong, 2007). The findings of Klyver and Grant (2010) in GEM countries also indicate that a woman who has a network with the other women entrepreneurs is more likely to participate in entrepreneurship. Women entrepreneurs are less likely to be acquainted with other entrepreneurs than men.

Generally, women face many challenges and mostly are disadvantaged which reduces and hinders their involvement in entrepreneurship. Women entrepreneurs only strive when necessary condition is created. The conditions may not always be favorable and so many odds may be working against the effort and performance of the entrepreneurs. Like the men entrepreneurs, women also need to devise ways to mobilize resources in order to succeed in their business endeavor. This is why some women entrepreneurs are working with other

people in order to succeed in achieving both their personal and business goals. Women entrepreneurs through their network will be able to access capital, information, skills and advice about their business (Klyver and Grant, 2010).

3.5.6. Education and Entrepreneurship Development

Education is regarded as an important factor for entrepreneurship and business skills development. The economic model that has to do with skill formation and knowledge is described as part of human capital theory (Schultz, 1961 and Becker, 1964). Human capital theory explains how education increases the productivity and efficiency of entrepreneurs by increasing the level of cognitive stock which is a product of innate abilities and investment in people. In much literature, education is linked with either entrepreneurship entry or entrepreneurship performance. Klein and Cook (2005) consider entrepreneurship ability as a form of human capital. Entrepreneurial ability can be enhanced through education, individual experience, health care etc.

Investment in education and health care can improve both technical and productive efficiency in the society. The investments made in education, knowledge and skill acquisition can promote people cognitive abilities which will result in a more productive and efficient behavior. Human capital investments have been described as an investment made in the process of acquiring knowledge, skill, experience and health care (Brixy and Hessels, 2010). Singh and Crump (2007) have argued that the quality and quantity of education influenced number of entrepreneurs and prospective entrepreneurs in a given country. Having investment

in education produces skills that increases employee productivity and earning, thus education is beneficial for economic growth and development (Slius, Praag and Vijverberg, 2005).

Educational attainment could also open doors for many opportunities and help in preparing someone to confront challenge especially in business arena. In fact some aspect of human capital is associated positively with small business/firm success (Moutray, 2007). The education acquired by people may help them in setting up a business or firm. Weaver, Dickson and Solomon (2006) stated that a review of recent research measuring the relationship between education and entrepreneurship made three key generalizations. First, education and entrepreneurial performance have a positive and robust link. Secondly, the link between education and entry into entrepreneurship is not clear. But when necessity entrepreneurship and opportunity entrepreneurship are treated separately and when country differences are taken in cognizance, the link is less ambiguous. Lastly, the relationship between education and entry into entrepreneurship is not linear in nature.

Several factors influence individual entry into entrepreneurship. People perception and ability to succeed is to some extent dependent on their background or experience. Entrepreneurship like any other profession can be taught before, during even after the commencement of entrepreneurial engagement (Kuratko, 2003). In a research conducted in Tanzania by Mnenwa and Maliti (2008), it is shown that firms owned by entrepreneurs who have attended training programme for more than one year are performing better than those trained for just a year or less. Despite the support and patronage of entrepreneurship education some scholars

highlighted its limitation in bringing desired outcomes. Johannison (1991) argues that teaching people to become entrepreneurs is something beyond the capabilities of an academic business school. Similarly, Rae (1997) argued that the knowledge and skills acquired in business schools are essential but not adequate to make somebody a successful entrepreneur.

Having a good theoretical framework on entrepreneurship education will be of great importance to both scholars and researchers that study the linkage between education and entrepreneurship. Weaver (2006) reported that Bandura's "Social learning theory" and "Action learning theory" are the most useful theories in this area. The main focus of these two theories is on the impact of entrepreneurship education on attitudes, entrepreneurial action and development of skills. Matlay (2008) reveals that the impact of entrepreneurial education upon entrepreneurial career has been evaluated longitudinally while provide a long term understanding of realities and activities of the graduates in the research sample. There is marked paucity of empirical research to support the argument that students of business school had benefited significantly from entrepreneurship education they had undergone by setting up a profitable new business venture.

There is a general consensus from researchers across some countries that there is a significant and positive relationship between education and entrepreneurial performance (Weaver et al., 2006). Entrepreneurs consider education as critical to their success. For instance, those without education face many challenges in obtaining credit or loan facilities for their business as well as planning and managing the enterprise. The previous research indicates that

entrepreneurs are more likely to have higher educational attainment than non entrepreneurs (Singh and Crump, 2008).

But the results obtained from most of the previous studies indicate that education has positive effects on entrepreneurship particularly for people with lower level of education. Levent et al. (2003) in Turkey, Dawson et al. (2009) and Henley (2005) in UK found that the relationship is positive and significant. While Andersson and Hammarstedt (2010) in Sweden found that the relationship is negative and significant. Lin et al. (2000) in Canada found the influence to be negative but insignificant. Geogellis et al. (2005) in US found that the influence of education is not significant. People with higher education may be in a better position to start up business (Brixy and Hessel, 2010).

The impact of general education on entrepreneurial choice remains ambiguous while there is positive link with entrepreneurial performance. Possessing relevant and specific education of entrepreneurship could facilitate entry into entrepreneurship. Brixy and Hessels (2010) expect that specific human capital provides relevant knowledge, skills and experience that are likely to facilitate entrepreneurial choice or entry. There are considerable evidences that individual propensity to engage in entrepreneurship is due to the possession of higher levels of relevant human capital (Davidsson, 2006). There is significant number of research that suggest a link between entrepreneurship education and entrepreneurial activity, but the finding is not definitive (Raposo and Paco, 2010).

People with high level educational attainment tend to prefer working for paid employment and this reduces their probability of entrepreneurial selection/entry (Sluis et al., 2005). Having a medium level of education increases the likelihood of succeeding in setting up a firm. Brixy and Hessels (2010) discovered in Germany and Netherland that people with higher level of education face higher opportunity cost for starting a business as compared to individual with low level education attainment. Those with higher qualification find difficulties to forgo paid employment while those with lower education attainment have little or nothing to lose by being self-employed or engaged in entrepreneurship. Slius et al. (2005) reports that preponderance of evidence support a relationship between schooling and entrepreneurship performance in developing countries. Out of 40 observations, 33 are positive and 19 of them are so significant. On the effect of schooling on the choice of entrepreneurship, it was also revealed that such studies are relatively scarce because of some limitations and researcher's lack of attention.

Small business success is positively associated with some aspect of human capital. Business owners are more likely to succeed especially when their education matches the requirement for business start up. Some people argued that past experience count much on the success of the entrepreneurs, but educational attainment make it easier. Education and other investments in human capital could lead to increase in general efficiency and wellbeing in the country. Increasing the abilities of the entrepreneur can explain at least part of the return to education (Klein and Cook, 2005).

Some group or communities have higher entrepreneurial selection than others due to difference in education and social network. The disparity in educational level between black American and the white counterpart in US are likely to explain founding rate of firms among these people. Singh and Crump (2007) in the US discovered that there is no significant difference between these two groups with respect to educational attainment and household size. It is apparent that educational attainment is clearly linked to becoming an entrepreneur for the black race but not necessarily so for the whites.

3.5.7. Family Entrepreneurial Background

Social learning theory can be useful in explaining the interaction between the action of the role model and the decision of the emulator. According to Social learning theory (Bundura, 1977) behavior is the outcome of the continuous interaction of cognitive, behavioral and other environmental factors with the learner at the centre playing active role. The importance of social learning theory is how the learning became successful. Having a role model or parents who are successful entrepreneurs can be a source of motivation to start up a small business and manage the venture successfully. This kind of learning will be effective if the individual concern is attentive to what his/her role model or parents are doing. The individual must have the ability to recognize and store information and he/she must be motivated to imitate other desirable behavior of the role model.

The social learning theory was used by Scherer et al. (1989) to study the relationship between a parent role model and preference for an entrepreneurial career. The findings of their investigation shows that parental role have significant influence on the entry into an

entrepreneurship. Scott and Tworlley (1988) also discover a relationship between the choice for self employment and the parental role model.

Numerous studies look at how entrepreneurship relates to family background of the entrepreneurs (Fairlie and Robb, 2004; Mathews, Schenkel and Hechavarria, 2009 and Mathews and Moser, 1995). Some studies established a strong relationship between the presence of a role models and becoming an entrepreneur (Cooper and Dunkelberg 1984, Shapero and Sokol, 1982 and Cooper, 1986). Evidences from the literature suggest that firm founders are influenced by their role models to become entrepreneurs (Cooper, 1986). Most entrepreneurs have a successful role model in either their family or their place of work place (Hrockhaus and Horwitz, 1986).

Wendy and Siong (2007) highlighted that in Malaysia family influence particularly of parents play a crucial role in determining individual's small business career choice. The parents in most cases are guiding and supporting their children for whatever entrepreneurial activity they have chosen to undertake. The impact of the parents on children's decision to engage in business is more pronounced if the parents are entrepreneurs. Parents' entrepreneurial role is often associated with individual's business performance. Many successful women entrepreneurs identify themselves with their parents who are also entrepreneurs (Wendy and Siong, 2007). But Hagan et al. (1989) and Scherer et al. (1990) in US provide support to some evidence that male with family business background are more likely to own business or

operate small business than female. This fact is perhaps due to the inherent barrier in women entrepreneurship.

Fairlie and Robb (2004), Hout and Rosen (2000) and Dunn and Holtz-Eakin (2000) found in US that there is a greater probability among children of business owners to become self employed or start up their business than the children of non-business owners. Individuals with self employment parent are on the rough estimate two to three times more likely to also become self-employed than those without self-employed parent. Family business background continued to play an important role in business start up (Mathews et al., 2009).

Andersson and Hammarstedt (2010) in Sweden, Lin et al. (2000) in Canada, Henley (2005) in UK and Colombier and Masclet (2008) in France found that entrepreneurs' family background influence entrepreneurship positively. Research on family background suggests a strong linkage between the presence of role models and becoming an entrepreneur (Mathews and Moser, 1995). One-third of all the business starts up were based on relationship by either marriage or kinship particularly in American society (Ruef, Aldrich and Carter, 2003).

Mathews and Moser (1995) tests some hypotheses on this theme in the US. Their study revealed that individuals with family background in small business are more likely to indicate an interest in owning a business. The decision to become a self employed is usually influenced indirectly by the role model. Parents are more likely to be the role model of their sons and daughters because they are the major agents of socialization. In some other situations

members of the immediate family can also be the role model. It is reported by Muhanna (2007) that in South Africa having entrepreneur in the family has a significant positive effect on entry in entrepreneurship. Mathews and Moser (1995) argued that most of the business entrepreneurs have a successful role model in either their immediate family or in the place they work.

Moreover, it is also argued that parents particularly create environment that exert some influences on their children's personal characteristics (Holland, 1983). It is logical to consider the family background in entrepreneurial activity as an explanation of why people become entrepreneurs (Brockhaus and Horowitz, 1986).

3.5.8. Access to government support and infrastructural facilities

Previous studies have shown that government plays an important role in facilitating entrepreneurship and development of MSMEs in particular (Zhang and Yang, 2006 and Zhang and Si, 2008). Government support is one of the critical factors for the success of small business in South Pacific (Yusuf, 1995). Government incentive may be available but the ability of individual entrepreneurs to be aware and access is very important to their success. Many entrepreneurs are unaware of the availability of funds and support programs provided by the government, while in some cases entrepreneurs believe that it is not possible for them to benefit from such assistance (Rose, Kumar and Yen, 2006). Malaysian government recognized that MSMEs contributed up to 25% of its economic performance. Therefore many

regulatory, legal and financial frameworks are put in its various strategic plans to strengthen small business development (Rose et al., 2006).

Some of the Malaysian government support programs currently include financial and credit assistance, infrastructural support, technical and training assistance, marketing and market research and extension and advisory services (Abdullahi, 1991). Despite these numerous effort, it is still not very clear whether the target beneficiaries are accessing and utilizing the programs (Rose et al., 2006). Overwhelming desire of various governments to support and provide necessary incentive to MSMEs and entrepreneurs has negative consequences. From the view point of enterprise competitive power, excessive government subsidy and intervention could hold back the marketization of entrepreneurial behavior of the small firms which will depress their desire for improving competitive power (Zhang and Si, 2008).

The government's decision to intervene could be borne out of sheer necessity to promote the development of MSMEs and entrepreneurial activity in general. The protection for MSMEs does not mean they are completely safe and free from competition that may enhance their competitive power. Even within the same MSMEs industry such tendencies of competition do exist. They naturally have to compete for market share, finance and other subsidies or incentive from the government. However, Selnes et al. (1996) pointed out that in the presence of government higher level involvement, Scandinavian firms had few incentives to become market oriented.

In China hi-tech small companies that are not benefiting from government support and preferential policies perform better on some key indicators. Zhang and Si (2008) concluded that enterprise which pays too much attention to gain un-commercial profit and overlook the aspect of improving its own competitive power to win in the market place will soon run into crisis. However, MSMEs are often finding themselves in the awkward state and unfavorable position in the competitive business environment. They are experiencing some difficulties in competing with large companies as a result of their nature of smallness in size and capacity (Chen, 2006).

Another critical area of need for entrepreneurship development is provision of necessary infrastructural facilities. The relation between entrepreneurial activity and economic development is a very strong, but it can only be significant if necessary atmosphere is created for business. Unless infrastructural facilities are available to support entrepreneurship no meaningful progress can be achieved (Coskum, 2009). Infrastructural facilities such as energy supply, water, transportation, communication, road networks must be in place to facilitate business activities.

3.5.9. Entrepreneurship development and Poverty

The ‘push/necessity hypothesis’ explains the dynamic relationship between entry into entrepreneurship and poverty. The push motivation refers to a situation in which an individual is forced to form a new enterprise due to either fear of poverty, unemployment or job insecurity. Lack of income and poverty can push individual to start up new business. The

pull factors on the other hand are those that motivate individual to form a new firm in order to pursue an existing opportunity that has not been exploited. Individuals who are motivated by this factor usually have access to personal saving or capital to start up business (Ritsila and Tervo, 2002).

Szirmai (2005) suggested that the fight against poverty and the analysis of long term economic and social development should be considered in discussing any development issues. Economic Growth and poverty reduction are the ultimate goals of all development endeavors (Akoum, 2008). The concept of poverty is very complex to describe because of its different dimension. It is considered as one of the defining characteristics of developing countries (De Silva, 2008). Poverty can be described as a lack of income and financial resources to satisfy the individual's basic needs and to achieve a minimum standard of living (Misturelli and Heffernan, 2008).

Most developing countries face the problem of low per capita income, poverty, unemployment which resulted in creating miserable condition and further impoverished the majority citizens. The poor are necessitated to engage in micro and small scale business in order to have income and sustain their lives. Individuals could make a difference by turning into entrepreneurs to productively and economically contribute to society. Individual entrepreneurs are the driving force for competitiveness in micro and small enterprises (UNIDO, 2003). Poor economic conditions lead to high entrepreneurial activities in many

developing countries. But it is observed that there is frequently high entry and exist among necessity entrepreneurs.

Rosa, Kodithuwakkub and Balunya (2006) in Uganda and Sri Lanka found that poverty significantly influenced entrepreneurial activity but the direction of the relationship is contradictory when different variables are considered. It shows either negative or positive depending on variables included in the model. Mulira (2011) in Uganda reveals negative and significant relationship between poverty and entrepreneurship. Block and Sandner (2009) and Wanger (2005) in Germany and Verheul, Thurik, Hessel and Zwan (2010) in 27 European countries and US discovered that there was more opportunity than necessity entrepreneurs.

Entrepreneurship becomes inevitably the last option particularly for the poor in an economy where employment opportunities are not available for the vast majority of the populace. The poor can be creative and become high impact entrepreneurs through radical innovations. The idea of creative destruction is built on dynamic and deliberate entrepreneurial effort to change market structures and make use of profit opportunities. The function of the entrepreneur in driving necessary economic growth can be seen in the theory of long waves of Schumpeter (UNCTAD, 2004).

It is an interesting theme to find whether high rate of entrepreneurial activity due to necessity could be translated into economic growth or not. Perhaps it all depends on the situation and level of economic development of a particular country where entrepreneurs exist. Both opportunity and necessity entrepreneurs can be found in both developed and developing

countries. The necessity entrepreneurs are only motivated to satisfy their self sustenance need while opportunity entrepreneurs go beyond that. The prevalence of necessity entrepreneurs are expected to be related to the early stage of economic development (Koster and Rai, 2008).

3.5.10. Entrepreneurship Development and Unemployment

The refugee/shopkeepers and Schumpeterian effect hypothesis provide the basic understanding of the relationship between entrepreneurship and unemployment (Audretsch et al., 2001). Refugee/shopkeeper effects occur in a situation where unemployment forces people to engage in entrepreneurship. While where entrepreneurship brings about reduction in unemployment is termed as Schumpeterian effect. There is increasing number of studies on the relationship between unemployment and entrepreneurship. Most of the studies use cross sectional or longitudinal data at micro level and time series data at macro level (Meager, 1992).

The entry into entrepreneurship by unemployed people has drawn the attention of many researchers and policy makers. Similarly, the propensity to start a business because of unemployment is important in a public policy (Audretsch and Jin, 1994). Many governments in both developed and developing countries supported unemployed people to start up business. Evans and Leighton (1990) in the US examined the formation of small business by both unemployed and employed workers. There is a frequent entry and exit among

unemployed into self employment. The unemployed persons have different reasons and goals for becoming self employed. Some of the unemployed consider entrepreneurship as a temporary arrangement to earn income for a living and other see it as a permanent engagement to sustain and prosper their lives. Evans and Leighton (1990) in US discovered that entry into self employment is higher for unemployed than for the employed people.

The relationship between entrepreneurship and unemployment is not clear but empirical studies reveal the two ways causal relationship. One strand of the studies confirmed that unemployment stimulates entrepreneurial activity which refers to as refugee effect, while the other body of literature confirms that high entrepreneurial activity influences reduction of unemployment which is consider as Schumpeterian effect. Unemployment is positively related to greater propensity for a new firm start up in 23 OECD countries (Audretsch, Carree and Thurik, 2001).

Other studies found positive influence of unemployment on entrepreneurship (Reynolds, Storey and Westhead, 1994; Baptista and Preto, 2007; Evans and Leighton, 1989 and Highfield and Smiley, 1987). The results confirm the present of refugee or shop keepers' effect that unemployment stimulates entrepreneurship. In contrast Garofi (1994) in UK, Audretsch and Fritsch (1994) in Germany and Audretsch et al. (2001) in 23 OECD countries indicate that unemployment is negatively related to new firm start up. Audretsch and Thurik (2000) believe that new business could possibly generate employment thereby cutting down

the rate of unemployment. Carree (2002) in US found that there is no significant relationship between the variables.

Hamilton (1989) and Faria, Cuestas and Mourelle (2010) suggest that the relationship between entrepreneurship and unemployment can be bidirectional and non linear. At low level of unemployment any increase in unemployment will lead to a new business formation. But once unemployment reaches critical level, any further increase in unemployment will lead to decrease in new business formation. Unemployment will no longer induce people to become entrepreneurs. There will be a few business opportunities left and many unemployed who had tried to be self employed will reveal their bitter experience of business failure because of high competition in the environment. Hamilton (1989) attempted to provide reconciliatory explanation on the relationship between entrepreneurship and unemployment for time series and cross section studies. Government can support unemployed through some policies to stimulate business formation so that the difference between time series and cross sectional analysis can be bridged.

The same argument permeates among researchers and policy makers and had received attention not only in the developing economies but also in developed countries. For instance European countries that are confronted with the problem of high unemployment reacted positively toward entrepreneurship development programs. Stel et al. (2007) suggested that entrepreneurship can be considered as a remedy or solution to the problem of high

unemployment and stagnation of economic growth. It became an ongoing debate among European and other OECD countries on how to resolve the problem of unemployment.

The issue usually raised is on the tradeoff between lower wages and less unemployment or higher wages and more unemployment (Thurik, 2003). But this kind of tradeoff is seen as an illusion (Audretsch and Thurik, 2000). The key to resolve the problem is by understanding the combined effect of globalization and communication revolution which significantly shifted comparative advantage of European economies (Thurik, 2003). Individual decision either become self employed, employee or remain unemployed is dependent on the relative price in the market (Knight, 1971). People are motivated to start up business when they perceive an opportunity that yields satisfactory level of benefits. Unemployed person may prefer to start up business that gives lower return than being unemployed.

The theory of occupational choice suggest that high rate of unemployment will stimulate start up activity to earn income for a living. Unemployed people have lower endowment of human capital and entrepreneurial talent to succeed in sustaining their new business start up and may exit too soon from the business arena (Stel et al., 2007 and Audretsch et al., 2001). But this assumption could be wrong in the sense that some unemployed can have such outstanding qualities to excel when they choose to start a business. Some even believe that necessity is the mother of invention. The need for survival can promote their interest to sustain the business. Business start up by the unemployed can have indirect effect in some ways. The unemployed who are successful in running their enterprises will create job for others and stimulate

innovations which will subsequently contribute to the overall productivity and competitiveness of the economy (Baptista and Preto, 2007 and Fritsch and Muealler, 2004).

In another dimension entrepreneurial activity reduces unemployment and could have positive effect on economic performance. Stel et al. (2007) and Audretsch et al. (2001) have attempted to reconcile this ambiguous relationship using data from 23 OECD countries between 1974 to 1998. Phehn-Dujowich (2012) in US discovered the unemployment Granger caused entrepreneurship. Storey (1991) provides an explanation which looks like a consensus on the relationship. All things being equal time series studies show that unemployment positively relate to entrepreneurship while cross sectional or pooled cross sectional studies reveal negative relationship. Attempt to resolve these differences have not been completely successful. Any general comment on this relationship has to be done with caution because it may be dangerous and has to be explained within a particular context

3.5.11. Entrepreneurship development and Gross domestic product

The link between entrepreneurship and economic growth can be traced to Schumpeter's work which states the role of entrepreneurs in creating a state of disequilibrium through the process of creative destruction (new combination). The role of entrepreneur as an important agent in most production and growth theories has been clearly discussed in the work of Joseph Schumpeter (UNCTAD, 2004). Schumpeterian entrepreneurs are productive, innovative and opportunity seekers (Sexton and Kasarda, 1992).

The ‘pull/prosperity hypothesis’ explains that people become entrepreneurs because of the unexplored existing opportunities. The proliferation of opportunity entrepreneurs in a period of high economic growth will make significant impact and promote economic development (Mojica-Howell, Whittaker, Gebremedhin and Schaeffer, 2012 and Jones-Evans, Brooksbank and Aaron, 2006). High level of economic growth will lead to increasing economic prosperity which in turn affects consumption and investment (Hartog, Parker, Stel and Thurik, 2010). The increase in consumer demand and services due to economic prosperity create opportunities for entrepreneurs (Audretsch and Keithbach, 2004). On the other side low economic growth creates necessity entrepreneurs who start up business because of poor economic condition and limited options for wage employment due to low demand for goods and services. This situation reflects the ‘push/ recession hypothesis. Necessity entrepreneurs make little or no impact on economic development (Mojica-Howell et al., 2012).

Some scholars are of the view that the necessary condition for sound long term economic development is by engaging people in entrepreneurship. Enterprise and entrepreneurship are crucial in boosting productivity, increasing competition and innovation, creating employment and prosperity of the society. Remarkable shift has been achieved by American economic activities due to rise in entrepreneurial activities. The number of new firms in the US has increased dramatically over time from 376,000 in 1976 and to 703,000 in 1986 and the economy achieved 39 % increase in real gross national product over the same period (Brock and Evans, 1989). The Lipson declaration of March 2000 explicitly identified

entrepreneurship as a key to the European Union becoming most competitive world region by 2010 (Naude, 2008).

The entrepreneurs played a significant role in structural transformation of economy during traditional and agriculture based economy. Schumpeter in his criticism to the position of Marx on capitalism stated that capitalism is characterized by a 'gale of creative destruction' and emphasized the importance of technological progress (Sexton and Kasarda, 1992). Entrepreneurs must keep innovating in order to change the current economic condition. This means that existing firms confronted with similar challenges must adapt to new set of standard or suffer performance lost and eventual disappearance. The economic implication of innovativeness is enhancement of country or regional productivity and competitiveness which will consequently bring about economic development.

Economists and other social scientists face some challenges in determining the relationship between entrepreneurship and economic growth. Empirical studies have not been successful in establishing strong statistical evidence on this relationship (Salgado-Banda, 2005). Most of the literature on the relationship between entrepreneurship and economic growth was based on the studies conducted in US and Europe where causality run from entrepreneurship to economic growth (Yanya, Abdulhakim and Abdulrazak, 2011).

Some studies attempted to investigate two directional relationships between economic growth and entrepreneurship (Thurik et al., 2008 and Mojica-Howell et al., 2012). Other studies try

to examine the influence of economic growth on entrepreneurship (Storey, 2003). Entrepreneurship is likely to be an endogenous when a high level of economic growth has a strong incentive for opportunity based business start up. In US economic growth Granger caused entrepreneurship (Phehn- Dujowich, 2012). There is an evidence of long run equilibrium between entrepreneurship (business ownership) and economic growth measured by per capita income (Hartog et al., 2010).

The extent to which entrepreneurship is good for the economic growth has been discussed in the literature. Entrepreneurship creates jobs, intensifies competition and may even increase productivity through innovations and technological change. High entrepreneurial activity is expected to translate into high level of economic growth (Acs, 2007). The presence of both necessity and opportunity entrepreneurship in the country are expected but the ratio of necessity to opportunity entrepreneurs can be an indicator for level of country's economic development (Acs, 2007). The relationship between necessity entrepreneurship and economic growth is likely to be negative for developing countries and positive for developed nations. Koster and Rai (2008) discovered that in India the increase in economic growth does not go with the decreasing rate of entrepreneurial activity as expected in the GEM model. Their result shows a weak positive relationship between economic growth and entrepreneurship in least developed regions.

Stel et al. (2004) in GEM countries found a simple significant linear effect between total entrepreneurial activities (TEA) and GDP growth. They also discovered significant non linear

effect which shows negative effect in relatively poor countries and positive effect in relatively rich countries. The relationship between necessity entrepreneurship and economic development is probably negative for low income countries and positive for high income countries (Acs, 2007). Salgado-Banda (2005) in 22 OECD countries found both positive and negative relationship using two different measures of entrepreneurship.

Reynolds et al. (2002) in GEM countries found that the national entrepreneurial activity has statistically significant relation with subsequent levels of economic growth. But the argument on exactly by how much economic growth affects entrepreneurial activity or by how much entrepreneurship influences economic growth is just an ongoing debate among economist (Acs et al., 2004). To some extent entrepreneurship is responsible for much competition and innovation in the business environment. Although the entrepreneurial activity has different characteristic across many countries, the importance of entrepreneurship toward economic development has been acknowledged (Acs et al., 2004; Koster and Rai, 2008 and Yanya et al., 2011).

GEM research work represents one most of the important analysis and source of data on global entrepreneurial activity and it provides a link between entrepreneurship and economic growth (UNCTAD, 2004). GEM believed that the traditional view on economic growth and economic competitiveness have neglected the role of entrepreneurship (new and small business) in the economy. GEM takes a comprehensive approach to consider the degree of

entrepreneurial activity within a country and determining the type and phases of entrepreneurship (Bosma et al., 2008).

Some people assumed that developing countries have a high number of necessity entrepreneurship because of the unbearable condition and the need for survival (Koster and Rai, 2008). In most cases, opportunity entrepreneurship tends to pick up as the economic goes better. At this time people consider it is safe to abandon self employment for wage employment. These opportunity entrepreneurs are contributing through innovation and perceive opportunities in the market. The prevalence of opportunity and necessity entrepreneurs can be depicted in U shaped curve which is termed as a U curve hypothesis (Bosma et al., 2008; Koster and Rai, 2008 and Wennerkers et al., 2005). Initially the U-shaped framework was developed to understand the increase in entrepreneurship in OECD countries (Acs, Desai and Hessels, 2008). The approach is now important in understanding either increasing or decreasing rate in entrepreneurship in both developed and developing countries over time. In early stage of development there will be higher rate of business creation but as the country's GDP per capita increases there will be a decrease in the rate of business creation. While in the later stage the relationship between entrepreneurship and economic growth tends to appear positive which means that the increase in GDP per capita causes the increase in the rate of new business creation.

GEM introduces a clear cut distinction between countries based on their phases of economic development. The countries that participate in GEM research were categorized into factor-

driven economies, efficiency-driven economies and innovation-driven economies (Reynolds et al., 2007). The countries in factor driven economies are mostly characterized by having large agricultural economic based with vast population in farming activities which provides subsistence for a living. As the situation changes due to increase in industrialization, there will be a boost economic growth. This situation will necessitate the surplus labor in agricultural sector to migrate to extractive and large industrial set up. The oversupplied labor in the economy will further create opportunities for self employment as the emerging industrial cannot accommodate the market demands.

In efficiency driven economies, as the industrial sector keeps growing, various institutions start to emerge to support the increasing rate of industrialization. Vibrant banking sector and supply of independent financial capital will emerge which will give a room for further expansion and subsequent development of small and medium sized firm. The necessity driven industrial activity of large scale business will gradually give way to small manufacturing sector (Reynolds et al., 2002). The phase of economic development is stronger in innovation driven economies and there is a gradual shift to service sector. The institutions created during the large scale activity will shift toward supporting opportunity entrepreneurs and innovative entrepreneurial firms. The presence of innovative entrepreneurial firm will serve as a driver for significant growth and wealth creation (Bosma et al., 2008).

3.5.12. Entrepreneurship Development and Public policy

Policy makers believed that with a good policy towards entrepreneurial development, the economy will achieve certain growth. This is particularly connected with the assumption that entrepreneurship or small business activities play a vital role in economic development. Entrepreneurs account for large portion of the countries' GDP and employed reasonable percentage of total workforce in both developed and developing world. In Japan the share of economic activity accounted by a small business is considerably large (Honjo and Harada, 2006). The policy makers and politicians believe that creating many start up firm will transform economy, create job and innovations (Shane, 2009). Several changes have occurred in a global economy particularly in the developed countries where entrepreneurial activities are predominant. One of the significant changes is the shift from managerial economy towards an entrepreneurial capitalism (Schott and Jensen, 2008).

Many reasons were responsible for these changes in the global economic structure, but the bone of contention is whether this new face of economic structure goes in the same form in both developed and developing countries. There were evidences to suggest that entrepreneurship development is dependent on the level of economic development (Jesselynco, 2004; Karlsson et al., 2004; UNCTAD, 2004 and Naude, 2008). The quality and quantity of entrepreneurial activity in a country can be translated to either opportunity or necessity entrepreneurs that can be found in both developed and developing countries (Acs et al., 2004; Bosma et al., 2008 and Acs and Szerb, 2007). The government intervention to support certain sector to stimulate economic growth is not a new phenomenon but has a

long history. The governments follow different channels and routes for supporting entrepreneurial activity depending on the understanding and focus of the policy.

Perhaps, the focus of the government is increasing the number of new firm which may accelerate the rate of economic growth and resolve many socio-economic problems such as unemployment, poverty. Stel, Storey and Thurik (2007) discussed the options available to policy makers. Government should follow either a low regulation route or a high support route. Some countries choose to follow the first option of low regulation (eg US) while other countries choose to follow support option (eg European countries). In another example, the government of Japan enacted the SME creative business promotion law (CBPL) to support SMEs who are pioneers in new areas of business through entries, research and development and commercialization of research. The government supports under this law are subsidies, loan and tax breaks given to small businesses that are engaged in activities in line with the research and development and business plan approved by prefectural governors (Honjo and Harada, 2006). Based on the recognition of the importance of entrepreneurship in economic growth, the policy argument has been widely transferred into national and international political agenda (Scott and Jensen, 2008).

Developing countries were less able to stimulate economic growth relative to the developed countries. Statistics shows that income per capita growth has declined drastically to zero percent from 1980 to 1998 in developing countries. People consider this decade as a lost one (Scott and Jensen, 2008). The monumental loss in this decade is perhaps due to the inability

of the developing countries to stimulate economic activities against many odds surrounding the global competitive economy which favored the developed countries than the developing ones. The lost decade happens as a result of loose coupling between entrepreneurship policy and entrepreneurial activity in developing (Scott and Jensen, 2008). Lack of economic growth is due to the adaptation and implementation of entrepreneurship policies that do not fit their economic and cultural context. This suggests that policies on entrepreneurship were precariously adapted not initiated in line with the prevailing circumstance.

Acs and Szerb (2007) drew the attention of policy makers across all levels of government that they should not only have a strong interest in promoting entrepreneurship directly, but should also consider the impact of their decision on a wide range of issues that will likely affect entrepreneurial activity. The loose coupling is happening when public policy in support entrepreneurial activity produces very negligible and insignificant effect. Developing countries prone to adopt entrepreneurial policy without matching the requirement of those policies with the availability of resources and peculiarity of their own state. This creates unnecessary pressure for the state to look for resources for successful implementation of those policies. Scott and Jensen (2008) based on the neo-institutionalist theory, formulate three hypotheses with regard to the effect of country development on the coupling between entrepreneurial policy and entrepreneurial activity viz;

- i) For developed countries, the coupling between entrepreneurship and policy within a country will be tight.

- ii) For developing countries, the coupling between entrepreneurship and policy within a country is loose.
- iii) The more developed a country is, the tighter the coupling between entrepreneurship policy and activity.

Shane (2009) persistently advocates that encouraging entrepreneurship through policy may be not appropriate. He argued that policy makers believe in a dangerous myth. They are thinking that business start ups are “magic bullets” that will bring economic transformation of depressed economies that are engulfed with the problem of low innovation and unemployment to economic prosperity. Glavan (2007) also asserts that the history of development policy is full of mistakes which result in wastage of bountiful resource into wrong investment and inefficient industries which lead to social unrest.

Shane (2009) encourages policy makers to think of reallocating resources to programs that support high impact entrepreneurs. It takes a courage and political will to fix failing policies towards entrepreneurship. The benefits of good policies are diffuse and down the road because they resulted in many new jobs and achieve economic growth. Shane (2009) concludes that policy makers have some choices to exercise either to pursue good policies or good politics. The implication of abandoning good policies for good politics may further deteriorate the economic problem of especially developing world.

The role of institutions in developing entrepreneurial activity is very important because entrepreneurship does not exist in a vacuum. Every economic agent or market player is regulated through the existing rule and regulations operating in a particular society. There is a need for conformity with the norms and tradition to ensure continuous existence in the system. Institutions generally considered as the formal and informal rules governing the conduct of people. Coyne et al. (2010) gives examples of formal rules which include codified legal and political structure as well as written rules such as constitution. The informal rules include culture, norms and conventions backed by the social custom. It is the institution that determines the rule of the game which facilitates interaction among people socially, economically and politically. The entrepreneurs in pursuance of their interest may ordinarily comply or avoid the dictates of these institutions.

The institutional view is very important because it has implication for development (Coyne et al., 2010). While inputs are clearly important in producing economic outcomes, they will only contribute to economic growth when formal and informal institutions provide necessary incentive for productive entrepreneurship. In a situation where the structure of the payoffs encourages non productive entrepreneurship, it may the result in economic decline and underdevelopment no matter the level of input committed (Coyne et al., 2010). Some poorest countries cannot get out of poverty trap because of the failure or absent of these institutions to direct the affair of people.

Where the institution at a particular time encourages non productive entrepreneurship, the entrepreneurs will move to exploit those opportunities. The ability of any economy to develop

is dependent on sustainability of productive entrepreneurship and to overcome the negative impact of non productive activities. Coyne et al. (2010) explained that non productive entrepreneurship can generate another non productive entrepreneurship which will bring about economic decline and stagnation. Productive entrepreneurship is expected to have a positive impact on the economy and enhance economic performance (Douhan and Henrekson, 2008). However, policy and institutional changes that are aimed at promoting entrepreneurship must be evaluated to ascertain what kind of entrepreneurship is being promoted.

Entrepreneurship development can have positive impact on the economy if the government policies are geared toward encouraging productive entrepreneurship. Many governments' decision and policies are directed toward assisting small business to grow (Holtz – Eakin, 2000). Policies should be designed that are capable of promoting productive entrepreneurship rather than having a generic policy that will not yield the desired result (Stel et al., 2007). The attention of policy makers has been drawn on the need to reallocate resources to programs that support high growth entrepreneurs. There is the need to shift resource from programs that support generic entrepreneurial effort to high potential ventures (Shane, 2009).

Various ranges of entrepreneurial activities create a diverse implication to economic growth and development. There is a variety of roles among entrepreneurs which can be performed or reallocated. Some actions of entrepreneurs do not follow the constructive and innovative ways (Baumol, 1990). Sometimes the entrepreneurs may even lead a parasitical existence that is

actually devastating and destructive for the economy. Several scholars raised alarm on the implication and consequences of productive, unproductive and destructive entrepreneurship (Baumol, 1990).

Those in support of promoting entrepreneurship through policies believed that changing the pattern of entrepreneurship is a necessary condition for boosting productivity and economic growth. New business formation serves as a catalyst for economic progress. Baumol (1990) vehemently challenged this idea and suggest that rather than boosting the spirit of entrepreneurship what needs to be done is adjustment of rule of the game to induce a more felicitous allocation of entrepreneurial resources. The rule of the game that affects the entrepreneurial activity can be observed, modified and even improved.

The manifestation of various kinds of entrepreneurial activities that may be of good or bad consequence to the economy is dependent on how the institutions operate. The allocation of entrepreneurial talent is being influenced by the relative payoff the society offers to this kind of activities. If the relative payoff is not favorable to entrepreneurs they may wish to look for alternative means by indulging in other activities that may not be positive to the economy. Rather than supporting productive entrepreneurship, the payoff structures pave way for non productive entrepreneurship. Coyne et al., (2010) criticized the idea of considering entrepreneurship as a catalyst of economic progress because entrepreneurs could be a source for economic decline and stagnation.

Entrepreneurship can take various forms and an economy which is market driven have a bias to towards creative innovations. Profit making is the most powerful engine of entrepreneurial activity as well as other activity that are aimed at self fulfillment. It should be noted that not all forms entrepreneurial activity is good, because entrepreneurs act differently in creative manner to advance their interest without considering the consequence on society (Baumol, 1990 and Desai et al., 2010). People channel their entrepreneurial talent to activities which have high potential of private return, but which may not have any social return.

There is no consensus on what determine productive and unproductive entrepreneurship but Baumol (1990) defined productive entrepreneurship as activities that create wealth while unproductive entrepreneurship has to do with redistributive activity. Productive entrepreneurship refers to any positive entrepreneurial activity that contributes to the net output of the economy. Unproductive and destructive entrepreneurship are often associated with various forms of rent seeking activities, illegal and corruption. Rent seeking activities can be in form of litigation, tax evasion, acquiring monopoly etc. It is refers to as deliberate expenditure of resources in pursuit of economic rents that is not necessarily antithesis to the accepted rules of society (Baumol, 1993).

Douhan and Henrekson (2008) also try to distinguish between productive, unproductive and destructive entrepreneurship based on the possibility of either abiding by the rules or violating the rules. They presented their extended idea on 3 x 2 matrix as seen below:-

Table 3.4: Productive, unproductive and destructive entrepreneurship

	Abide	Evade
Productive	Pursue a business opportunity within prevailing institutions	Sidestep regulation or offer bribes in order to expand a profitable business; evade taxes on profit
Unproductive	Create contract to overcome institutional shortcomings; lobbying, help others avoid taxes	Creation of a bureaucratic body where rents are earned by selling licenses or granting subsidized loans, help others avoid/evade taxes
Destructive	Pogrom state; rivalry between warlords	Illegal syndicates; the mafia, sophisticated fraud and economic crime

Source: Adopted from Douhan & Henrekson, 2008.

The decision to allocate entrepreneurial talent is dependent on the institutional structure and the relative payoff from those entrepreneurial activities. The idea generally was an extension of the Schumpeter theory of innovation in which he advocated the need for new combination. Conceptual framework for destructive entrepreneurship is noticeably absent in the literature while the current understanding of entrepreneurship is incomplete. Coyne et al., (2010) also added that productive entrepreneurship is a positive sum act of arbitrage and innovation resulting in economic growth while unproductive and destructive entrepreneurship are inherently predatory in nature.

The contributions from various scholars and theories of entrepreneurship help in building the literature and theoretical support for this thesis. These contributions as argued and discussed are presented in a summary table 3.5 below.

Table 3.5: Summary of literature and theoretical background

Variables	Author	Theoretical Background	Level/Unit of Analysis
Start up Capital and Previous income	Hurst and Lusardi (2004) Kon and Storey (2003) Scott (2010) Buera (2009) Evans and Jovanovic (1989)	Liquidity constraints theory Theory of discouraged borrower	Individual/Micro
Age	Veheul and Van Stel (2010)		

	Van Es and Van Vuuren (2010) Curran and Blackburn (2001) Green (2005) Nestorowicz and Tyrowicz (2009) Bergmann and Sterberg (2007)	Inverse U shaped curve hypothesis	Individual/Micro
Gender	Field (2003) Wendy and Siong (2007) Bardasi et al (2007) Arenius and Minniti (2004) Klyver and Grant (2010) Driga et al (2005)	Social capital theory	Individual/Micro
Education	Brixy and Hessel (2010) Singh and Crump (2007) Weaver et al (2006) Schultz (1961) Becker (1964)	Human capital theory	Individual/Micro
Family Entrepreneurial Background	Fairlie and Robb (2004) Bundura (1977) Wendy and Siong (2007) Mathew and Moser (1995) Hout and Rosen (2000) Columbier and Maschet (2008)	Social learning theory	Individual/Micro
Government Support	Yusuf (1995) Rose et al (2006) Abdullahi (1991) Zhang and Yang (2006) Zhang and Si (2008)	Support and Infrastructural development	Individual/Micro
Poverty	Rosa et al (2006) Mulira (2011) Block and Sander (2009) Wagner (2005) Verhuel et al (2010)	Refugee/shopkeepers Schumpeter's effect hypothesis	Aggregate
Unemployment	Audresch et al (2001) Meager (1992) Audretsch and Jin (1994) Evans and Leighton (1990) Garofi (1994) Carree (2002)	Refugee/shopkeepers Schumpeter's effect hypothesis	Individual and Aggregate
Economic Growth	Audretsch and Keithbach (2004) Thurik et al (2008) Mojica- Howell et al (2012) Koster and Rai (2008)	Theory of economic development Prosperity effect hypothesis	Aggregate

CHAPTER FOUR

RESEARCH METHODOLOGY

4.1. Introduction

The chapter explains the methodology used at both the individual and aggregate levels. As stated earlier the main objective of this research is to examine the nature and challenges for entrepreneurship development in Nigeria. Therefore, the study uses a mixture of both qualitative and quantitative approach. The chapter is discussed under the following sub headings: conceptual framework, research design, general model specification, methodology for the individual level and methodology for the aggregate level.

4.2. Conceptual Framework

The conceptual framework for this study composed of individual and aggregate levels of analysis. The individual level consists of four demographic variables (age, gender, education and family background), two socio-economic variables (previous income and unemployment experience) and two institutional variables (access to start up capital and government support). At the aggregate level there are three macroeconomic variables (poverty, unemployment and GDP). The effects of variables at individual and aggregate levels are examined on entrepreneurship. The study examines how demographic, socio-economic and institutional variables directly influence entrepreneurship at the individual level and at same time determines the effect of aggregate variables on entrepreneurship as shown in Figure 4.1.

To provide a holistic view on entrepreneurship development it is important to create a link between these two levels. For instance, unemployment experience, previous income and access to government incentive and infrastructural facilities at individual level can explain unemployment, poverty and GDP at aggregate level. The results obtained at the individual level were used to explain the findings at aggregate level. The qualitative data are explored to complement the findings at both individual and aggregate levels.

Most of the previous studies measured how factors at either individual or aggregate level affect entrepreneurship. At aggregate level previous researches focused on the relationship between either entrepreneurship with GDP or with unemployment. This model tries to integrate two levels of analysis and examines various factors at the same time so as to have a clear and better understanding of entrepreneurship in the Nigeria context. There are other that studies used similar methodological framework that integrate both micro/ individual and macro/aggregate level (UNDP, 2003 and Roe et al., 2005).

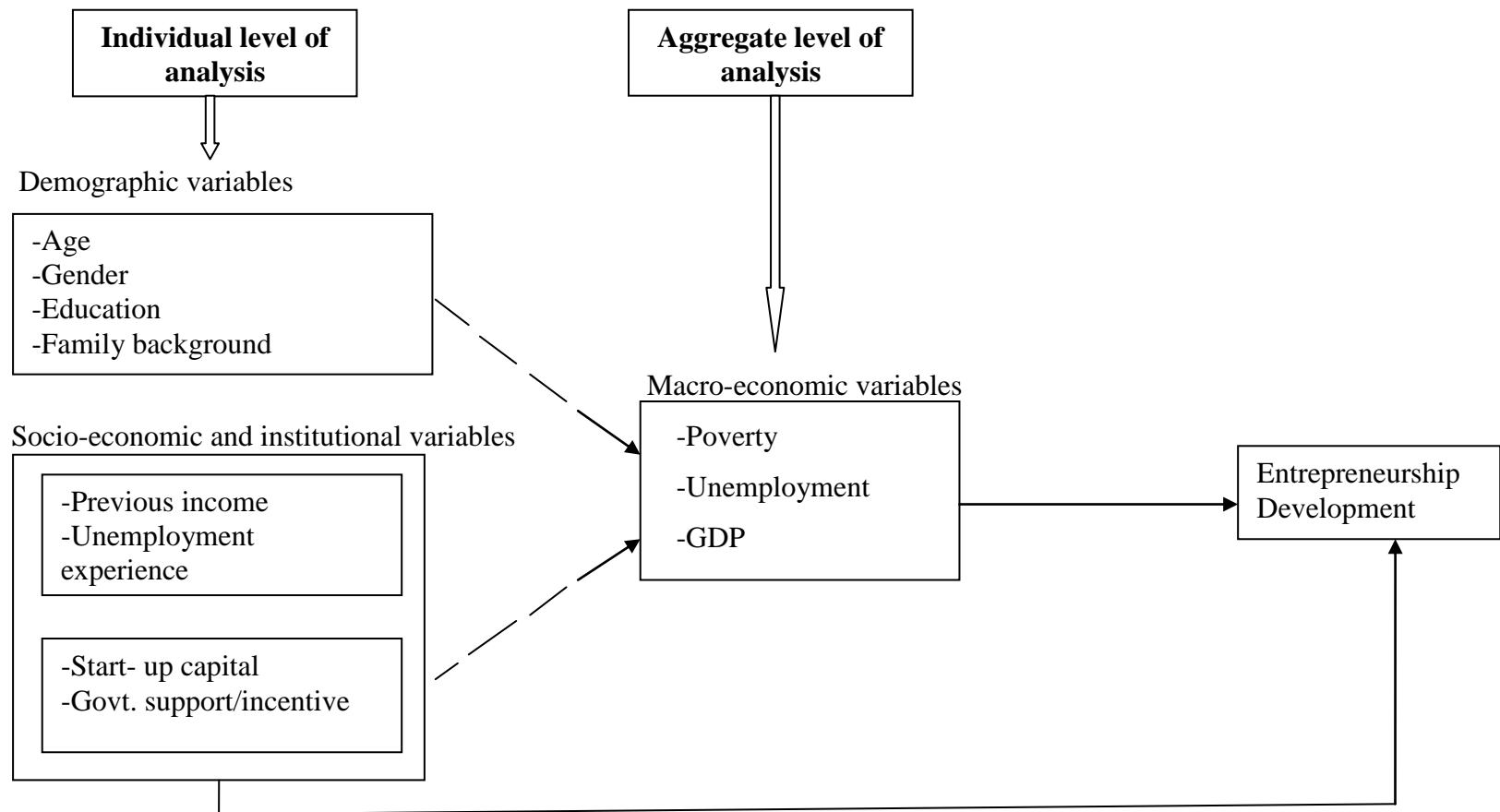


Figure 4.1: Conceptual framework

4.3. Methodology for Individual Level

This section deals with the methodology at the individual level. It discusses the population of the study and sampling selection process, the instruments used for data collection, selection of the key informants and interview guidelines and method used in analyzing data.

4.3.1. Research Design

A research design is a procedural plan adopted by the researcher to question validly, objectively, accurately and economically (Kumar, 2005). It is a plan, structure and strategy of investigation that enable the researcher to obtain answers to the research questions or problem as stated earlier in chapter 1. In a nutshell it is considered as a blue print or detail explanation on how the research is carried out.

4.3.1.1 Population and sampling selection

The population of this study is composed of micro and small enterprises that are operating both formally and informally in Kano State as defined by the Nigeria national policy. The national policy defines micro enterprises as businesses that employ 1 to 9 people and have asset of less N5Million (US\$31,847), while small enterprises are those employing 10 to 49 workers and have asset from N5Million but less than N50million (US\$318,471).

Sampling frame is not available for this study because most of the micro and small businesses do not register officially. Therefore, non – probability sampling technique (purposive/ judgmental sampling technique) is applied to get the targeted samples of micro and small

enterprises. Non- probability methods are used when the number of elements in a population is either unknown or cannot be identified individually (Kumar, 2005). This method is suitable because it enables the researcher to get the required samples that provide all the necessary information or data.

The researcher used a practical sample size of 500 as utilized in similar previous studies by Marcucci (2001) in Zimbabwe and Bangladesh, Bekele and Muchie (2009), Berihun, Tsegaye, Kidane and Hanna (2009) and Bekele and Worku (2008) in Ethiopia. Therefore, micro and small entrepreneurs from different part of Kano state were selected as a sample. The map of Kano state can be seen in Figure 2.2.

4.3.1.2. Selection of the key informants

In order to explore more information on the problems hindering entrepreneurship development, 25 Key informants were selected for interview. The key informants are micro and small entrepreneurs who have been operation for at least 5 years. Entrepreneurs were only selected as the key informants because the intention here is to get information based on the entrepreneurs' real experiences about challenges in starting up and managing their own business.

4.3.1.3 Research instruments

- Questionnaire

Questionnaire is used to collect data from the selected 500 samples as earlier mention. The questionnaire is designed to cover all the variables in the model. It is composed of 8 parts and 32 questions (see Appendix II). 600 questionnaires were distributed and 533 were successfully collected back from the respondents. But the questionnaires that were not filled correctly or not filled completely were later screened out. At the end 500 best questionnaires were selected and used in line with the previous studies.

- Interview guidelines and Recording of data

The study also employed depth interview method to collect data from the selected key informants. The method is found suitable in obtaining data that was not explored with the used of questionnaire. The interview guideline consisting of 18 points/items were used (see Appendix III). During the interview the data were recorded using electronic recorder. The permission of the key informants was sought at the beginning of the interview to record their opinions. In a situation where a key informant decline interest for recording his/her voice, note taking method has been employed as an alternative means of recording the data. The interview with the key informants takes on the average 45 minutes to 1 hour 30 minutes. The data recorded were later transcribed and processed accordingly.

4.3.1.4. Method of data analysis

The ordinary least square (OLS) is used to obtain the estimators α and β by minimizing the residual sum of the squared (RSS).

$$RSS = \sum u_i^2 = \sum (Y_i - \alpha - \beta x_i)^2 \quad (3.1)$$

The OLS method is used because of its simplicity and accuracy in estimation. The diagnostic tests conducted were Kolmogorov- Smirnov, Sphapiro- Wilk, histogram and normal probability plot (PP) for regression standardized residual for normality test and Spearman's correlation test for multicollinearity.

4. 3.1.5 Model Specifications

The functional relationship between entrepreneurship development and its determinants at individual level is represented in the following regression equation (3.2) as follow

$$ENT (1) = \beta_o + \beta_1 SCPT + \beta_2 GDR + \beta_3 AGE + \beta_4 EA + \beta_5 FEB + \beta_6 UEE + \beta_7 PIN + \beta_8 GS + \mu \quad (3.2)$$

Whereby;

ENT (1) = Entrepreneurship development

SCPT = Start-up capital

GDR = Gender

AGE = Age

EA = Educational attainment.

FEB = Family entrepreneurial background

UEE = Unemployment experience.

PIN = Previous income

GS = Government support

β_o = Parameter (intercept)

β_i = Parameter (slope)

μ = error term

4.3.1.6. Defining and measuring variables

- Entrepreneurship development: Entrepreneurship development is measured by the amount of current capital employed by the entrepreneurs as an indication of their contribution to the entrepreneurship development. This can be justified based on the argument of Frank Knight that entrepreneurs are those that take risk by committing their capital to exploit business opportunities (Evans and Jovanovic, 1989). In the Knight's sense there is no entrepreneur without capital (Foss and Klein, 2005). Business ownership is adopted as proxy for entrepreneurship development as used in some previous studies (Stel et al., 2006; Mondragon-Valez and Pena, 2009)

- Start -up capital: This refers to the amount of initial capital available to the respondent for starting up the business. The amount of initial capital accessed or available is used to explain entrepreneurship entry. The respondents were asked to state their initial capital used to start up the business. This variable is also used as an independent variable in the studies

conducted by Hurst and Lusardi (2004), Evans and Jovanovic (1989), Irwin and Scott (2010) and Buera, (2009).

- Gender: This refers to the sex of the respondents whether male or female. The respondents chose either male or female in which were coded as 1 and 0 respectively. 0 is considered as a reference category. Similar studies that used gender as an independent variable include Scherer et al. (1990), Leoni and Falk (2008), Dawson et al. (2009) and Henley (2005)

- Age: This refers to the present age of the respondents. The respondents were asked to state exactly their age in years at present. A blank space was provided for every respondent to state their age. This variable was used in other studies conducted by Van Es and Van Vuuren (2010), Lin et al. (2000), Bergmann and Sterberg (2007) Borjas and Bronars (1989) and Curran and Blackburn (2001)

- Educational attainment: This refers to the total number of years spent on education by the respondents. The respondents were asked to select their highest educational qualification which was later converted by the researcher into number of years. The limitation here is that conversion may not capture the actual number of years spent. For instance some respondents may only spent 3 years to obtain first degree while some might have spent 5 years or more. Five options of qualifications category were given in which the respondents chooses one. Those without educational qualifications are coded as 0. Other previous studies that used this

variable include Levent et al. (2003), Andersson and Hammarstedt (2010), Geogellis et al. (2005) and Dawson et al. (2009).

- Family entrepreneurial background: This measures whether or not the parent of the respondents had engaged in entrepreneurial activity. The respondents choose yes if either their father or mother is an entrepreneur/self employed or they chooses no if otherwise. The response yes is coded 1 and no is coded 0 which is considered as reference category. Other studies that examined the influence of family entrepreneurial background include Fairlie and Robb (2004), Mathews et al. (2009), Mathews and Moser (1995), Cooper and Dunkelberg (1984) and Cooper (1986).

- Unemployment experience: This is measured by the duration of unemployment experienced by the respondent and who has been looking for a job for the period before starting the current business. The Respondents were asked to state number of years spent as unemployed before starting the present business. The limitation of this measure is that some people consider themselves as unemployed if they do not have fixed monthly income that will sustain them, although they are working as either part timers or earn daily income. Similar studies that used unemployment experience as an independent variable include Ritsila and Tervo (2002), Evans and Leighton (1989) and Martinez-Granado (2002).

- Previous income: This refers to income of the respondents before commencing the present business. The respondents were asked to state their income that represents their

previous earning in Naira (Nigeria currency) and those without income were coded 0. Other studies also used this variable include Magri (2009), Fonseca et al. (2007) and Hurst and Lusardi (2004).

- **Governmental support/incentives:** This refers to infrastructure and other support/incentives that have been enjoyed or accessed by the respondents. Here the respondents are expected to indicate whether they have benefited or not from the 10 items listed in the questionnaire. The respondents ticked yes if they have benefited or no if otherwise and the responses were coded as 1 and 0 respectively. Zhang and Yang (2006), Zhang and Si (2008) and Yusuf (1995) also examined the influence of government support on entrepreneurship.

4.4. Methodology for Aggregate Level

This section deals with the methodology used at the aggregate level. It particularly explains the model, definition and measurement of variables, sources of data collected, and how the data has been analyzed.

4.4.1. Model Specification

The functional relationship between entrepreneurship development and its determinants at the aggregate level is represented in the following equations (3.3) as follow

$$LENT(2) = \alpha_0 + \beta_1 LPOV + \beta_2 LUEM + \beta_3 LGDP + e_t \quad (3.3)$$

Whereby;

LENT (2) = Logarithm of Entrepreneurship development

LPOV = Logarithm of Poverty

LUEM = Logarithm of Unemployment

LGDP = Logarithm of Gross domestic product

e_t = error term

4.4.2. Defining and measuring variables

- Entrepreneurship development: The researcher initially had wanted to use yearly number of self employed as a measure of entrepreneurship over time, but this is not possible due to unavailability of record for self employed persons in Nigeria. Another proxy of new business created over time is adapted as a measure for entrepreneurship development at the aggregate level. Many previous studies used new business created as a proxy for entrepreneurship development (Wang, 2006; Sternberg and Wennekers, 2005; and Lafuente and Driga, 2007)

- Poverty: It refers to a condition of not affording the basic human needs such as food, health care, education, clothing, shelter, clean water etc. The poverty threshold or international poverty line is the minimum level of income that is necessary to achieve an adequate standard of living in a given country. The National Bureau of Statistics adopted the standard of World Bank international poverty line of \$1.25 per day for Sub-Saharan Africa for

measuring poverty in absolute term. Therefore any person with income below this official threshold is considered as poor. In this research number of poor people was used as a measure of poverty. The limitation of this measure is that in Nigeria consumer survey on poverty is not conducted on a yearly basis. Data for the other years were obtained based on annual poverty projection made by the National Bureau of Statistics. Other studies that used poverty as independent variable include Mulira et al. (2011) and Rosa et al. (2006).

- Unemployment: Unemployment is defined as a situation where someone of working age, who would like to be in full time employment, is unable to get a job. In this research number of registered unemployment was used as a measure of unemployment. The data for registered unemployed were obtained from Federal Ministry of Labour and Productivity, Nigeria. The limitation of this data is that many unemployed may not be included in the study because they did not register as unemployed in the Ministry. Reynolds et al. (1994), Audretsch and Thurik (2000), Carree (2002), Hamilton (1989), Audretsch et al., 2001 and Audretsch and Fritsch (1994) also examined the influence of unemployment on entrepreneurship in their studies.

- Gross Domestic Product (GDP): It is defined as the change in the value of goods and services produced in an economy. It is basically a change in the amount of goods and services produced by country's economy over a specified period of time. In this research absolute value of real GDP was used as a measure of annual economic growth from 1980 to 2010. The data for GDP was collected from Central Bank of Nigeria (CBN). GDP is also used

as an independent variable in the studies conducted by Thurik et al. (2008), Storey (2003), Yanya et al. (2011), Hartog et al. (2010) and Majica-Howell et al. (2012).

4.4.3. Sources of data

Time series data for 31 years from 1980 to 2010 have been used at this level. Some relevant documents, reports and other government publications that contain information related to this research were also consulted. The data on the number of poor people was obtained from National Bureau for Statistics, Nigeria, data on real GDP from Central Bank of Nigeria, data on the number of registered unemployed from Ministry of Labor and Productivity and data on number registered business from Corporate Affairs Commission Nigeria.

4.4.4. Method of data analysis

In this section, the method used in analyzing time series data for aggregate level has been explained. Vector autoregression framework involving unit root, cointegration test, VECM and Granger causality test, variance decomposition and impulse response function are explained below:

4.4.4.1. Vector autoregression (VAR) framework

VAR is a framework that provides a systematic way to capture rich dynamic in multiple time series. It is an n-equation and n-variables linear model in which each variable in turn explained by its own lagged value and current and past value of the other n-variables. VAR is a collection of univariate autoregressive models to a vector of economic variables. It is used

to provide a coherent and good approach in data description, forecasting, structural inference and policy analysis (Stock and Watson, 2001 and Gujarati and Porter, 2009). The multiple vector autoregression models are represented in the following Equations (3.4).

$$\begin{aligned}
LENT(2)_t &= \alpha_0 + \delta_0 LENT(2)_{t-1} + \delta_1 LGDP_{t-1} + \delta_2 LPOV_{t-1} + \delta_3 LUEM_{t-1} + e_t \\
LGDP_t &= \alpha_0 + \delta_0 LGDP_{t-1} + \delta_1 LENT(2)_{t-1} + \delta_2 LPOV_{t-1} + \delta_3 LUEM_{t-1} + e_t \\
LPOV_t &= \alpha_0 + \delta_0 LPOV_{t-1} + \delta_1 LENT(2)_{t-1} + \delta_2 LGDP_{t-1} + \delta_3 LUEM_{t-1} + e_t \\
LUEM_t &= \alpha_0 + \delta_0 LUEM_{t-1} + \delta_1 LENT(2)_{t-1} + \delta_2 LGDP_{t-1} + \delta_3 LPOV_{t-1} + e_t
\end{aligned} \tag{3.4}$$

Where LENT(2) is the logarithm of entrepreneurship, LGDP is the logarithm for gross domestic product, LPOV is the logarithm for poverty, LUEM is the logarithm for unemployment and e is the error term

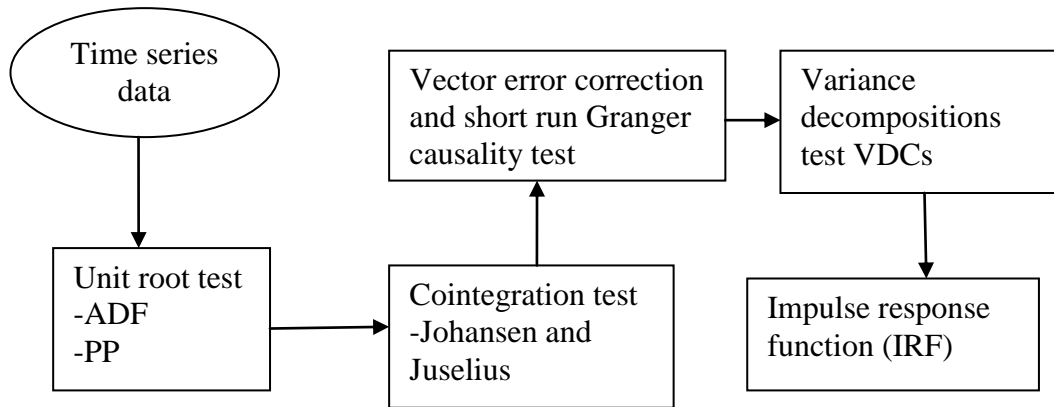


Figure 4.2: Schematic chart for data analysis for the aggregate level

a) Unit root test

Unit root test was used to determine the properties of the data. It is a useful method for testing the stationary of economic data. Most of the macroeconomic variables are non stationary or have unit root. Any further analysis to trend or difference a time series depends on the nature of the data. It can be trend stationary process (TSP) or difference stationary process (DSP). A time series is consider to have an autoregressive unit root if it is written as below

$$y_t = DT_t + z_t \quad (3.5)$$

$$zt = \rho z_{t-1} + e_t \quad (3.6)$$

and

$$\rho = 1$$

where e_t is stationary and DT_t is a deterministic component. With $\rho = 1$, Δz_t is stationary and Δy_t is stationary around the change in the deterministic part. In this case y_t is asid to be integrated of order 1 and is denoted as 1(1). Stationary series are said to be 1(0). When y_t is stationary and is thus 1(0), and DT_t is a linear trend, then

$$y_t = DT_t + e_t \quad (3.7)$$

and the difference of y_t is

$$\Delta y_t = \alpha + e_t - e_{t-1} \quad (3.8)$$

Where $\alpha = DT_t - DT_{t-1}$ is constant. Thus Δ_t has a moving- average unit root. The moving-average unit roots arise if a stationary series differenced. This is known as *overdifferencing*. Tests using 1(1) as the null hypothesis are based on the unit autoregressive root as the null. Test using 1(0) as the null hypothesis is based on the moving-average root as the null.

Additionally, if there is a unit root that $\rho = 1$, the variance of the process y_t increase over time. This implies that since the OLS estimator of the autoregressive parameter $\hat{\rho}$ is the ratio of the covariance of y_t and y_{t-1} to the variance of y_t and $\text{var}(y_t) \rightarrow \infty$ as $t \rightarrow \infty$, the OLS estimator $\hat{\rho}$ no longer has an asymptotic normal distribution when the true autoregressive parameter $\rho = 1$. Thus the t - or F -type test statistics based on the OLS estimator do not follow the conventional t - or F - distribution (Maddala and Kim, 1998). Generally, unit root test can be parametric and non parametric. The following methods are used in this study:

- The Augmented Dickey-Fuller (ADF) Test

Dickey-Fuller (1979) is a parametric test which was used to examine the present of unit roots in the model. The testing procedure for the ADF test is the same as for the Dickey Fuller test but it is applied to the model

$$\Delta y_t = \alpha + \beta_t + \gamma y_{t-1} + \delta_1 \Delta y_{t-1} + \dots + \delta_{p-1} \Delta y_{t-p+1} + \varepsilon_t \quad (3.9)$$

where α is a constant, β the coefficient on a time trend and p the lag order of the autoregressive process. Imposing the constraints $\alpha = 0$ and $\beta = 0$ corresponds to modelling a random walk and using the constraint $\beta = 0$ corresponds to modeling a random walk with a drift. By including lags of the order p the ADF formulation allows for higher-order autoregressive processes. This means that the lag length p has to be determined when applying the test. One possible approach is to test down from high orders and examine the t -values on coefficients.

Moreover, ADF t-statistics is used to know when to difference time series data to make stationary. When time series data is flat (meaning it does not have trend) and potentially slow turning around zero, the following test equation can be used:

$$\Delta z_t = \phi z_{t-1} + \alpha_1 \Delta z_{t-1} + \alpha_2 \Delta z_{t-2} + \dots + \alpha_p \Delta z_{t-p} + a_t \quad (3.10)$$

Where p is the number of augmenting lags and it is determined by minimizing the Schwartz Bayesian Criterion or Akaike Information Criterion or lags are dropped until the last lag is statistically significant. ϕ represent the coefficient of OLS estimate.

▪ The Phillips-Perron (PP) Test

Phillips and Perron (1988) were able to propose an alternative (nonparametric) method of controlling serial correlation for testing a unit root. Philips-Perron test is a *non-parametric*, i.e. it does not require selecting the level of serial correlation as in ADF. It rather takes the same estimation scheme as in DF test, but corrects the statistic to conduct for autocorrelations and heteroscedasticity. The main disadvantage of the PP test is that it is based on asymptotic theory. Therefore it works well only in large samples that are indeed luxury if not it comes for financial time series data. This method particularly estimates the non-augmented DF test equation and modifies the ratio of α coefficient so that serial correlation does not affect the asymptotic distribution of the test statistic. The Phillips- Perron test statistics is given as

$$y_t = c\delta_t + ay_{t-1} + e_t \quad (3.11)$$

Where e_t is the innovation process. The test assesses the null hypothesis and the model variant appropriate for series with different growth characteristic

a) Cointegration Test

Cointegration test was conducted to find the long run relationship between the variables. There is a number of cointegration test developed by econometrician in order to test such relationship. The cointegration method has a significant contribution toward testing Granger causality. If two variables are cointegrated they share the same common trend, therefore causality must exist in at least one direction (Masih, 1995). This test is important because of the economic implications, perhaps the system is in equilibrium in the long run or it may be sensitive to test hypotheses before making estimation of the multivariate dynamic model (Engle and Granger, 1987).

In a multivariate model the long run equilibrium relationship contains more than two variables

For instance it can be hypothesized that in the long run

$$z_t = \beta_0 + \beta_1 w_t + \beta_2 x_t + \beta_3 y_t \quad (3.12)$$

where w , x , y and z are all $1(1)$ variables.

If long run relationship exists in the above equation then it can be argued that the disequilibrium errors arising from the equation should be $1(0)$. The equation below should form a stationary time series

$$u_t = z_t - \beta_0 - \beta_1 w_t - \beta_2 x_t - \beta_3 y_t \quad (3.13)$$

In a multivariate model there may be more than one stationary linear combination linking cointegrated variables. For example if there are four variables, there is no reason why the variables would not be linked together by more than one long run relationship. Suppose u_t in

equation 3.13 has been found to be stationary. This could imply the existence of long run relationship between all the four variables w , x , y and z . However, another possibility is that z , w and x , y form two cointegrated pairs of variables. That is, a long run relationship of the form

$$z_t = \alpha_0 + \alpha_1 w_t \quad (3.14)$$

links z_t and w_t , while a long run relationship of the form

$$x_t = \gamma_0 + \gamma_1 y_t \quad (3.15)$$

links x_t and y_t . The disequilibrium errors from such relationships must be stationary. That is

$$v_{1t} = z_t - \alpha_0 - \alpha_1 w_t \quad (3.16)$$

and

$$v_{2t} = x_t - \gamma_0 - \gamma_1 y_t \quad (3.17)$$

must both be $I(0)$. Since v_{1t} and v_{2t} are both stationary any linear combination of them will also be stationary. Additionally, if a linear combination of variables are stationary such as in equation 3. 13, then the coefficients in this relationship form what is known as a cointegrating vector (Thomas, 1997).

In this study Johansen and Juselius (1990) cointegration technique was used to find whether there is a cointegrating vector or not. Under this method two likelihood ratio (LR) test statistic (Trace test and Maximum Eigenvalue test) were used to find the number of cointegrating vectors. The Trace test involves testing hypothesis that there are at most r cointegrating vectors, while maximum eigenvalue test has to do with testing hypothesis that there are $r+1$ cointegrating vectors versus the hypothesis that there r cointegrating vectors. The notion of Johansen procedure is to find linear combination of Y_{t-1} that are most highly

correlated with ΔY_t on the ground that $I(0)$ and $I(1)$ variables are not correlated (Maddala and Kim, 1998).

c) Error correction model (ECM) and Granger causality

Engle and Granger (1987) explained that once number of variables is found to be cointegrated, there always exists a corresponding Error Correction Model (ECM) representation which means that changes in the dependent variable are responsible by the level of disequilibrium in the cointegration relationship as well as changes in the other independent variables.

The cointegrating regression so far considers only the long-run property of the model, and does not deal with the short-run dynamics explicitly. Clearly, a good time series modelling should describe both short-run dynamics and the long-run equilibrium simultaneously. For this purpose an ECM has to be developed. Although ECM has been popularized after Engle and Granger, it has a long tradition in time series econometrics or being embedded in the tradition of London School of Economics. ECM test are based on what is known as the *Granger representation theorem* which says that if a set of $I(1)$ variables are cointegrated, they can be regarded as being generated by an ECM. For example, consider a simple two-equation model used in Engle and Granger (1987)

$$y_{1t} + \beta y_{2t} = u_{1t}, \quad u_{1t} = u_{1t, t-1} + e_{1t} \quad (3.18)$$

$$y_{1t} + \alpha y_{2t} = u_{2t}, \quad u_{2t} = \rho u_{2t, t-1} + e_{2t}, |\rho| < 1 \quad (3.19)$$

where e_{1t} and e_{2t} are possibly correlated white-noise errors. The model is internally consistent only if $\alpha \neq \beta$. The reason for this constraint is that if $\alpha = \beta$, it is impossible to find any values of y_{1t} and y_{2t} that satisfy both equations. The equation 3.19 states that a lineal combination of y_{1t} and y_{2t} is stationary. Hence y_{1t} and y_{2t} are cointegrated with a cointegration coefficient. It should be noted that if $\rho = 1$, then u_{2t} is also $I(1)$ and hence there is no cointegration. The error correction term can be defined as below;

$$\xi_t = y_t - \beta x_t \quad (3.20)$$

Where β is a cointegrating coefficient, ξ_t is the error from the regression of y_t on x_t , then an ECM is defined as;

$$\Delta y_t = \alpha \xi_{t-1} + \gamma \Delta x_t + \mu_t \quad (3.21)$$

The ECM equation above simply means that Δy_t can be explained by lagged ξ_{t-1} and Δx_t . It can be seen that ξ_{t-1} thought of as a disequilibrium term occurred in the previous period. Therefore if it happens to be non zero the model is said to be out of equilibrium and vice versa. It should be noted that β is called the long-run parameter, and α and γ are called short-run parameters. Thus the ECM contains both long-run and short-run properties which are built in it. The former property is embedded in the error correction term ξ_{t-1} and the short-run behaviour is partially but crucially captured by the error correction coefficient, α . All the variables in the ECM are stationary, and therefore, the ECM has no spurious regression problem (Stock and Watson, 2001 and Gujarati and Porter, 2009). Therefore, the Vector error correction model (VECM) for y_t and x_t can be derived from equation (3.21)

$$\Delta y_t = \alpha \zeta_{t-1} + \delta \Delta y_t + \delta \Delta x_t + \mu_t \quad (3.22)$$

$$\Delta x_t = \alpha \zeta_{t-1} + \delta \Delta x_t + \delta \Delta y_t + \mu_t \quad (3.23)$$

Hence the VECM in this study can be derived from equations (3.22 and 3.23) in which each variable become endogenous.

$$\Delta LENT(2)_t = \alpha_0 + \delta_0 \Delta LENT(2)_{t-1} + \delta_1 \Delta LGDP_{t-1} + \delta_2 \Delta LPOV_{t-1} + \delta_3 \Delta LUEM_{t-1} + \lambda_0 \zeta_{t-1} + e_t$$

$$\Delta LGDP_t = \alpha_0 + \delta_0 \Delta LGDP_{t-1} + \delta_1 \Delta LENT(2)_{t-1} + \delta_2 \Delta LPOV_{t-1} + \delta_3 \Delta LUEM_{t-1} + \lambda_0 \zeta_{t-1} + e_t$$

$$\Delta LPOV_t = \alpha_0 + \delta_0 \Delta LPOV_{t-1} + \delta_1 \Delta LENT(2)_{t-1} + \delta_2 \Delta LGDP_{t-1} + \delta_3 \Delta LUEM_{t-1} + \lambda_0 \zeta_{t-1} + e_t \quad (3.24)$$

$$\Delta LUEM_t = \alpha_0 + \delta_0 \Delta LUEM_{t-1} + \delta_1 \Delta LENT(2)_{t-1} + \delta_2 \Delta LGDP_{t-1} + \delta_3 \Delta LPOV_{t-1} + \lambda_0 \zeta_{t-1} + e_t$$

Note: ζ_{t-1} is the error correction terms included in the model to capture the speed of adjustment to the long run equilibrium

Furthermore, since the study also involves in finding causality among variables, the use of Granger causality test become necessary. It is important to find out such causality for effective and meaningful policy recommendations. It is of interest to study how changes in one variable cause changes in the other variables. In most empirical studies examining such a relationship is done in the context of Granger causality in a multivariate framework (Jeong and Nishiyama, 2005). For instance the mean version is defined as given below;

If M does not cause Y in mean with respect to U_{t-1}

$$E(y_t/U_{t-1}) = E(y_t/U_{t-1} - M_{t-1}) \quad (3.25)$$

And if M caused Y in mean with respect to U_{t-1}

$$E(y_t/U_{t-1}) \neq E(y_t/U_{t-1} - M_{t-1}) \quad (3.26)$$

Where M and Y are two time series variables, M_t is the M s' history and t is time with $M_t = (M_{t-1}, S \geq 0)$ and U_t is the information set available at t . $U_t - M_t$ indicates the information set excluding M_t . Conventionally the approach of testing Granger causality is to assume a parametric linear model for conditional mean $E(y_t/U_{t-1})$, which regress the y_t on finite number of lagged value of Y and M and to also test the null hypothesis that the coefficients on lagged value of M are all Zero.

b) Variance decompositions (VCs)

The vector error correction model does not provide any indication of the dynamic properties of the system. Also it does not allow people to gauge the relative strength of the Granger causality or degree of exogeneity among variables (Masih, 1995). In order to gauge the relative strength of the variables and transmission mechanism response, the system will be shocked and partitioned the forecast error variance decompositions (FEVDs) for each variable in the system. By partitioning the variance of the forecast error of certain variable into proportion attributable to innovations in other variables in the system can provide an indication of these relativities (Masih, 1995).

e) Impulse response functions (IRFs)

After the variance decomposition, the information contained therein can be as well represented by IRFs. It will be important in mapping out the dynamic response path of variable due to one period standard deviation shock to another variable. The mapping of the IRFs is represented by graphical illustrations. Both are obtained from the moving average

(MA) representation of the original VAR model (Masih, 1995). In Generalized impulse responses there is no need to identify any structural shocks. The general setup p we shall consider is a VAR process for some p dimensional time series x_t given by

$$x_t = \Phi D_t + \sum \Pi_i X_{t-i} + e_t \quad t = 1, \dots, T \quad (3.27)$$

Where D_t is a vector with deterministic variables. The process x_t may be covariance stationary, integrated of order d , while e_t is dimensional and assumed to be i.i.d. with zero mean and positive definite covariance matrix

4.4.5. Diagnostic test

After the parameters of the variables have been estimated, the resulting model has been tested to see whether it is correctly specified or not. The following diagnostics test were conducted; Jarque Bera test for normality of the residual, Ramsey reset test for regression specification, AR and ARCH test for serial correlation and white test for heteroscedasticity.

CHAPTER FIVE

QUANTITATIVE RESULTS AND DISCUSSION

5.1. Introduction

The quantitative analysis of the survey data at the individual level and time series data at the aggregate level are presented and discussed in this chapter. The analyses for survey data include both descriptive and inferential statistics. While the time series analyses include unit root test, cointegration and Granger causality, variance decompositions (VDCs), and impulse response functions (IRFs).

5.2. Results and discussion of individual level data

The results obtained from survey data are presented. The results include the descriptive analysis on characteristic of the respondents, spearman's correlation result and model estimation. The data collected during the field work in 2011 were presented in descriptive form in Table 5.1 to Table 5.4.

5.2.1. Characteristics of the respondents

The socio – demographic data of the respondents are presented in Table 5.1. The data shows that entrepreneurship is more likely found among people of younger age as majority of the respondents are between the ages of 19 to 40 years. Many studies have explored the factors that are influencing the decision of individuals toward entrepreneurship. Age is found to be

one of the factors influencing individuals' decisions to own a business (de kok et al., 2010). Young people are often considered to be healthier than the older people and as such they will be more willing to take risk and engage in entrepreneurship. The data shows that majority of the respondents (83%) are men. The higher involvement of men in entrepreneurship is consistent with finding of other studies in Africa (Gray and Finley, 2005). The data show that majority of those owning businesses are educated and only 11% of the respondents have no schooling. The data have shown that 57% of the respondents' parents were involved in self employment activities, 22% are employees, 3% are unemployed, and 11% are retirees and 7.4% engaged in other activities. People with entrepreneurial background are more likely to become entrepreneurs (Muhanna, 2007).

From Table 5.1, it shows 43.8% of the respondents were unemployed before commencing the present business. The data shows that about 8% of them experienced unemployment for less than a year, 35% stayed unemployed between 1 to 5 years and few of them (0.8%) stayed unemployed for 6 years and above. The result indicates that 35% of the respondents who have worked before were earning monthly income between N1, 000 to N19, 000, 13% have income between N19,001 to N30,000 and 8.2% have income of at least N30,000. The result reveals that most of those who have started a business (56.20%) were not absolutely poor because they have an average previous income of not less than N412 (equivalent to \$2.62 dollars) per day. This data further indicates those starting business are likely to be opportunity entrepreneurs. They may be attracted into entrepreneurship because of certain existing business opportunity.

Table 5.1: Frequency distribution of socio- demographic variables

Variable	Frequency	Percentage %
1) Age (years)		
18 -30	241	48.2
31 -40	173	34
41- 50	66	13.2
51 and above	20	4.0
2) Gender		
Male	414	82.8
Female	86	17.2
3) Marital status		
Single	185	37
Married	315	63
4) Educational attainment		
No Schooling	55	11
Primary	60	12
Secondary	224	44.8
Diploma/NCE	114	22.8
HND/Bachelor/Higher	47	9.8
5) Family background		
Self employed	283	56.6
Employee	110	22
Unemployed	15	3
Retiree	55	11
Others	37	7.4
6) Unemployment experience		
No	281	56.2
Yes	219	43.8
7) Duration of unemployment (years)		
Nil	281	56.2
<1	38	7.6
1 -5	177	35.4
6 and above	4	0.8
8) Previous income level		
No Income	219	43.8
N1, 000 - N19, 000	175	35
N19, 001- N30, 000	65	13
N30, 001- N40, 000	8	1.6
N40, 000- N50, 000	8	1.6
N50, 001 and above	25	5.0

Note: US\$1 is equivalent to N157

The data in Table 5.2 indicates that 36.4% of the respondents have been operating their businesses for 2 to 6 years and only 37.4% of them registered their business officially. This

suggests that most the entrepreneurs are operating in the informal sector and they may likely faces some difficulties in getting any support from official sources. Most of respondents are working with other people while only 13.2% of them are working alone. The data also shows that 45% of the respondents were motivated to start up their own business in order to become independent.

Majority of the respondents (56%) were able to start up their own business with less than N100, 000 and 58.8% uses their personal savings to start up their business. The result also shows that only 2.8% and 1.6% of the respondents successfully secured fund from bank and government respectively. This means that in terms of financing micro and small enterprise, banks and government institutions/agencies are playing very insignificant role. It is also shown that 37% of the respondents have less than N100, 000 as their present capital, about 30% have between N100, 000 to N500, 000 and the remaining 33% have N500,001 and above. Majority of the respondents are operating with small amount of capital. While the current asset value of majority of the respondents (68%) is less than N500, 000.

Table 5.2: Frequency distribution of business information

	Items	Frequency	Percent%
1)	Official status of the business		
	Not Registered	313	62.6
	Registered	187	37.4
2)	Motive for business start up		
	To be independent	229	45.8
	To be my own boss	49	9.8
	To get income	48	9.6
	To become wealthy	27	5.4
	To increase my income	19	3.8
	To become self employed	120	24
	Others	8	1.6
3)	Business duration (years)		
	=< 1	29	5.8
	2 - 6	182	36.4
	7-11	131	26.2
	12– 18	99	19.8
	19 and above	59	11.8
4)	Employment status		
	Working alone	66	13.2
	With workers	313	62.6
	With Family unpaid workers	51	10.2
	With apprentices	70	14
5)	Number of workers and apprentices		
	Nil	66	13.2
	1 – 9	372	74.6
	10 – 20	51	10.2
	31 – 30	7	1.4
	31 and above	3	.6
6)	Start-up capital		
	<N100, 000	280	56
	N100, 000 – N400, 000	109	21.8
	N400, 001 - N800, 000	55	11
	N800, 001 - N1, 000, 000	28	5.6
	N1, 000,001 and above	28	5.6
7)	Main source of start-up capital		
	Bank loan	14	2.8
	Government	8	1.6
	Personal savings	294	58.8
	Family and friends	177	35.4
	Other sources	7	1.4
8)	Present capital employed		
	<N100, 000	185	37
	N100, 000 – N500, 000	149	29.8
	N500, 001 - N1, 000,000	95	19
	N1, 000,001 and above	71	14.2
9)	Current asset value		
	<N500, 000	340	68
	N500, 001 – N1, 000,000	101	20.2
	N1, 000,001 – N10, 000,000	59	11.8

Note: US\$1 is equivalent to N157

The Table 5.3 reveals that the respondents were drawn from at least 12 different kinds of business. The concentration of the respondents (16.4%) is higher in tailoring and sewing business, 11.8% of them operate in basic metal and fabrication and 10.6% in furniture making business. Those operating their businesses that are not fall under item 1 to 12 are considered as others and they constitute up to 15.2% of the total respondents.

Table 5.3: Business subsector /Type of business

Type	Frequency	Percentage
1. Furniture making	53	10.6
2. Tailoring and sewing	82	16.4
3. Basic metal and fabrication work	59	11.8
4. Electronics repairs	40	8.0
5. Block making	21	4.2
6. Hair dressing and saloon	24	4.8
7. Food and drinks processing	29	5.8
8. Food canteen & restaurants	19	3.8
9. Leather work & plastic work	14	2.8
10. Business centre services	38	7.6
11. Canopies, chairs rental & services	8	1.6
12. Trading	45	9.0
13. Others	76	15.2

The data in Table 5.4 shows that among all the items listed for business support and Infrastructural facilities needed to support entrepreneurship by the government, most of the respondents (58%) indicated that they have benefited from access to road network and 41% have benefited from information & communication facilities. The result reveals that only 10.8 % had benefited from managerial and technical training, 13% benefited for extension and business advisory services, 24% enjoyed tax relief, 25% have access to electricity supply, 10% benefited from legal assistance and counseling, and 22% receives allocation of business premises or land allocation. The availability of infrastructure is very importance for

entrepreneurship development. Lack of basic infrastructural facilities could create atmosphere which may not be favorable to particularly micro and small businesses.

Table 5.4: Frequency distribution of government support and infrastructural facilities

Item	Frequency	Percent %
1. Managerial and technical training		
Yes	54	10.8
No	446	89.2
2. Extension and business advisory support services		
Yes	66	13.2
No	434	86.8
3. Tax relief and cancellation		
Yes	121	24.2
No	379	75.8
4. Legal assistance and counseling		
Yes	50	10
No	450	90
5. Supply of power or electricity		
Yes	125	25
No	375	75
6. Regular water supply		
Yes	94	18.8
No	406	81.8
7. Access to road network		
Yes	292	58.4
No	208	41.6
8. Information and communication facilities		
Yes	208	41.6
No	292	58.4
9. Business premises or land		
Yes	110	22
No	390	78
10. Any other incentives		
Yes	34	6.8
No	466	93.2

5.2.2. Diagnostic test for the data

In both Kolmogrove-Smirnov and Shapiro-Wilks test for normality, the results indicate that the independent variables in the model are statistically significant at 1% indicating that the data is not normally distributed. The test result for dependent variable shows that the variable

is normally distributed (See Appendix IV for normality test result and Appendix V for histogram and normal PP plot for regression standardized residual).

Spearman's correlation is used as an alternative to Pearson product moment correlation to detect multicollinearity. The Table 5.5 provides information on the relationship among the independent variables in the model. The result shows that the relationships among some variables are significant at 1% and 5% level but in all cases the strength of the relationship is very weak. The common rule of thumb is that correlation coefficient should not exceed -0.7 or + 0.7 (Anderson, Sweeney and Williams, 2009). The multicollinearity problem needs to be remedied if it exceeds the existing threshold. The result shows that there is no problem of multicollinearity, hence the relationships among the independent variables have no effect with the estimation of the model.

Table 5.5: Spearman's correlations matrix

Variables	1	2	3	4	5	6	7	8
1. SCPT	1							
2. GDR	.077 (.086)	1						
3. AGE	.130** (.004)	.020 (.653)	1					
4. EA	.194** (.000)	-.075 (.094)	-.082 (.066)	1				
5. FEB	-.004 (.936)	.168** (.000)	-.060 (.182)	-.119** (.008)	1			
6. UEE	.012 (.784)	-.056 (.214)	-.081 (.071)	-.025 (.576)	-.017 (.699)	1		
7. PIN	.182** (.000)	-.042 (.349)	.111* (.013)	.108* (.016)	-.075 (.096)	-.177** (.000)	1	
8. GS	.134** (.003)	.031 (.493)	-.083 (.063)	-.036 (.422)	-.045 (.317)	-.024 (.599)	.027 (.572)	1

Note: * and ** indicate significance at 5% and 1% level respectively. Figures in parentheses () are p- values.

5.2.3. Model Estimation

The regression method is used to estimate the coefficient of the entire variables in the model.

The results of the estimation can be seen in Table 5.6.

Table 5.6: Result of multiple regressions

Variables	β	Std. error	t-statistics	p-value
Constant	1.736	.494	3.517	.000
SCPT	.857	.041	21.015	.000
GDR	.227	.109	2.079	.038
AGE	.008	.005	1.740	.083
EA	.016	.009	1.771	.080
FEB	.077	.083	.922	.357
UEE	-.031	.032	-.984	.326
PIN	.009	.009	1.053	.293
GS	.001	.252	.004	.997
R	.718			
R^2	.515			
F	65.25(0.00)			

The estimation shows that coefficient of determination is $R^2 = .515$ signifies that about 52% of variation of entrepreneurship can be explained by the independent variables. The result for hypothesis testing which states that the independent variables have no predictive power to explain entrepreneurship is statistical significance at 1% level. It shows that at least one of the independent variables explained entrepreneurship development.

The results further show that the influence of start-up capital and gender on entrepreneurship is positive and statistically significant at 5% level while Age and education attainment also influence entrepreneurship positively but statistically significant at 10% level. The other independent variables family entrepreneurial background, previous income and government support also influence entrepreneurship positively while unemployment experience affect

entrepreneurship negatively but they are statistically insignificant. The model has been re-estimated to include only significant variables in order to have a more robust and reliable estimation.

5.2.4. Discussion of the findings

The results obtained in estimating the relationship between entrepreneurship and independent variables in model at micro/individual level are discussed as follows:

- Start-up capital and income

The result in Table 5.6 (B) shows that start-up capital is positively and significantly influences entrepreneurship development. This result is consistent with the findings of Evans and Jovanovic (1989) and Buera (2009) in the US. The importance of start-up capital on the rate of business start up is repeatedly emphasized by various researchers such as Hurst and Lusardi (2004), Buera (2009) and Evans and Jovanovic (1989). Many people are constrained by lack of start-up capital to engage in entrepreneurial activity. Entrepreneurs use various sources of finance to start a business depending on their position and economic status. Evans and Jovanovic (1989) in the US found positive correlation between asset and probability to start up business. Their result indicates that people with assets or income are more likely to partake in entrepreneurship than those without either assets or income. Some people convert their assets into capital for small business start-up, but in most occasions micro and small entrepreneurs use their personal savings from previous employment.

The liquidity constraints theory explains why people cannot start up their own business due to lack of start-up capital or constraint of resources (Evans and Jovanovic, 1989 and Hurst and Lusardi, 2004). Table 5.2 shows that most of the respondents started with small amount of capital of less than N100, 000 (equivalent to \$645). Although having small capital is one of the features of micro and small business, majority of the respondents (58.8%) used their personal savings to start up their business and only 2.8 % and 1.6% of the respondents secured start-up capital from bank and government agency respectively. This means that the respondents are facing challenges or liquidity constraints with respect to capital mobilization business for start up. Using personal saving is one of the methods adopted by many entrepreneurs to meet up with their financial needs. Mulfinger (2010) in France found similar result that majority of entrepreneurs (70%) have no access to bank loan and they used their personal saving to start their business. Evans and Jovanovic (1989) and Fizzari, et al. (1987) in the US discovered that small business entrepreneurs are more likely to suffer liquidity constraints than the big business owners.

People who have no income because they are either unemployed or working without savings because their salary is meager may not likely start up business. It is difficult for them to have funds from outside sources and probably has little social network because they are poor or unemployed. Similarly, lack of microfinance could possibly undermine the effort of many people particularly who have neither asset nor income to start their own business. Similar study in Nigeria by Okpara (2011) found that financial constraints such as inability to raise start up capital are the major challenges facing small business owner. The federal government

of Nigeria in recognition of the contributions of micro and small business came up with microfinance policy in 2007 to address the problem of around 80 million micro entrepreneurs who have no access to business finance. The microfinance is still at its infancy and currently is facing tremendous challenges (Ovia, 2007). Some of these challenges include the unstable macroeconomic conditions that affect individuals and the institutions. Although there was an improvement in some indicators such inflationary and exchange rate, but still the environment continue to pose some threats to the microfinance banks and the borrowers.

Limited microfinance outreach for the unemployed and poor persons are also regarded as another contributory factor. It is estimated that out of the 70 million people in need of micro credit in Nigeria only 1.5 million people had access in 2003 (CBN, 2010). The situation is compounded as many licensed microfinance banks cannot meet up with regulatory conditions. The hostile business environment as a result of poor infrastructural facilities increases the cost of banks' operations. Poor repayment culture has been the major stumbling block to the management of microfinance banks. In most cases the borrowers consider microfinance as their share of 'national cake'. This kind of mentality was as a result of what happened in the past where the government officials extend government loans the self, family and friends without any intention for repayment. In essence many people are no longer credit worthy for bank loan without collateral as in the case of microfinance.

- Gender

The positive coefficient for gender indicates that male are more likely to engage in entrepreneurship than their female counterpart. This result is consistent with the findings of Scherer et al. (1990) in the US, Henley (2005) in the UK, Bergmann and Sternberg (2007) in Germany, Leoni and Falk (2008) in Austria, and Mulira et al. (2011) in Uganda. Global Entrepreneurship Monitor research involving 34 countries reveals that men are more active in entrepreneurship than women in all the countries. In middle income nations there is a wide gap where men are 75% more likely to be active entrepreneurs, compared to 33% in high-income countries and 41% in low-income countries (Lotti, 2006). Women participation in entrepreneurship is between 1.6% to 39.1 % in Hong Kong, Slovenia, Japan, Ecuador, Uganda and Peru.

The distribution between men and women in entrepreneurship is associated to each country's economic conditions. The gap is reducing in high-income countries, such as Finland and the US which may be due to well articulated programs, cultural changes, and entrepreneurial education for women (Lotti, 2006). In the case of necessity based entrepreneurship the ratio of female to male entrepreneurs is higher in the low-income countries such as Ecuador, Hungary, Peru, and South Africa.

In line with this result, it is important to find out why women are less likely to be involved in entrepreneurial activity in Nigeria. There are several factors militating against women which in turn affect their propensity to entrepreneurship. Generally, the women's selection into

entrepreneurship is not dependent only on the existing opportunities in the market but also on the institutional environment. The tradition and culture usually affect the entrepreneurial behavior of women. The informal institutions are those values in the society that are culturally accepted as a basis for legitimizing the act of women in entrepreneurial undertaking or otherwise. Formal institutions have to do with rules and regulations governing the women's conduct in entrepreneurship.

The issue of gender inequality could also be relevant in understanding why women participation is lower compared with men. In some instances women are prevented to participate in some businesses because the areas are considered as a men domain. But in some situations the formal institutions play a greater role in ensuring equality between men and women. The gender specific formal institutions such as regulatory framework ensure equal opportunity for both men and women. For instance providing equal opportunity for both men and women in the labour market and property ownership right. The informal specific institutions have to do with the religion and tradition that influence the position of women in the society and determine their economic functions (Welter and Smallbone, 2008).

Like any other society, the Kano people have their tradition and culture that shape the way they conduct their social as well as economic activity. It is observed that women are not as free as men to engage in business in the state. Their decisions are mostly being influenced by their parents or husbands. They are restricted to partake in business and paid employment as a way of protecting them so that they cannot be exposed to challenges and compete with men in

the business arena. The men in accordance with the Islamic doctrine consider the provision of basic needs to their wives and family members as their primary responsibility. Hence the women mostly remain at their homes to take care of the children and perform other domestic functions. This fact is also reveal in another study in Morocco in which women remain at home taking care of their children (Gray and Finley, 2005).

Several factors hinder women participation in business which includes the norms, values and formal rule and regulations. Bardasi et al. (2007) report that in Africa women in some areas cannot own or inherit land, housing or other property in their own right under both statutory and customary laws. This indicates that the problem of gender inequality is not only peculiar to Nigeria but it also cuts across the entire African region. The restriction of women due to institutions, culture and societal values are reflected in the macro views of environmental school of thought in which the women have limited control.

In developed countries women are very important in promoting competitiveness and private sector development. Presently in Africa gender issue is becoming very important in entrepreneurship where women are expected to play an active role in the informal sector. Their businesses presently account for not more than one third of all the firms operating. Informal sector plays tremendous contribution to economy of both developed and developing nations (Bardasi et al., 2007).

Women without educational qualification normally face more challenge in engaging in business and paid employment. Those with high educational achievement may show high interest in paid employment to occupy key positions commensurate with their educational qualifications. The possession of high educational qualification will indirectly affect women decision to become entrepreneurs. Previously most of the Muslim women in northern part of Nigeria were prevented to attend formal western education beyond basic certificates and they usually married at the early age. This led to having high population of uneducated married women in Kano state. This gender inequality contributes to a large extent on how women do not engage in entrepreneurship compared with their men counterpart. But nowadays necessity pushes some women to engage in entrepreneurship especially among widows and those whose husband's income is very small to cater for their family's basic needs. Women who are facing unemployment threat may be motivated to become self employed by starting a business especially if they happened to be the heads of household. The implication of necessity driven women entrepreneurship is that as time goes on and when the economic condition of their husband greatly improves there is every possibility for them to abandon the business especially if they are experiencing some business challenges.

Women generally have a limited social network and do not like to grow their business venture like men. According to social capital theory women with wider network can overcome their entrepreneurial challenges better than those with less business network. Social capital also help women in the area of finance, information sharing and opportunity identification. The findings of Klyver and Grant (2010) in GEM countries indicate that women who have

personal network with other women entrepreneurs are more likely participate in entrepreneurship. They also discovered that women are less likely to be acquainted with other entrepreneurs than men.

- Age

The policy makers are often concerned about which group of people partake more in economic activity and which group need to be economically empowered so that appropriate policy can be formulated to support and encourage them to become economically productive and contribute to the economic development. The regression result in Table 5.6 shows that age affects entrepreneurship positively. This means entrepreneurship is increasing with age. But the earlier data presented in Table 5.1 shows that the increase in entrepreneurship entry in between the age 19 to 40 years. The result supports the findings of Bergmann and Sternberg (2007) in Germany, Lin et al. (2000) in Canada, Borjas and Bronars (1989) in the US, Henley (2005) in the UK, Leoni and Falk (2008) in Austria and Levent et al. (2003) in Turkey, Reynolds et al. (2002) in GEM countries, Verheul and Van Stel (2010) and Van Es and Vauren (2010) in Netherland and Walter et al. (2004) in Uganda. Entrepreneurship is increasing within this age bracket (19 to 40 years) after which the rate of entrepreneurship is declining. In some empirical studies the relationship usually reflects inverse U curve shape which means that entrepreneurship is increasing with age up to certain peak years where it will start declining.

The relationship between entrepreneurship and age may not necessarily be direct due to mediation of some factors such as health condition and availability of both social and financial capital which could affect the decision of person to engage in entrepreneurship. Young people are more likely to engage in entrepreneurship because they are more energetic, can take higher risk and have more time to oversee their business compared to older people. The opportunity cost of forgoing wage employment for entrepreneurship is very low for young people and much higher for old people. Green (2005) in the UK found that young people find their decision to start working for a pay as complex one because of the fear that they can be hired and fired at any time.

Giving the high level of unemployment among educated and uneducated youth in Nigeria, the government adopts various strategies to encourage youth to become self-reliant by starting their own business rather than depending on paid employment which is highly scarce and competitive. This is necessary because having high number of unemployed youth may be dangerous to the entire society. There will be more social unrest like the '*Boko haram*' insurgency in the north, Niger delta militancy in the South South, high rate of abduction and kidnapping in south east and armed robbery across the country which consequently increases the cost of governance especially on security expenditure. The federal, states and local governments are making effort through various entrepreneurial programs to train and support young people financially to become self employed. This could possibly be one of the reasons for youth involvement in entrepreneurship than people of older age.

A recent survey in Nigeria shows that despite the high rate of unemployment, younger people are increasing showing lack of interest in highly labour-intensive work. They have preference for white color job which consequently affects their decision for entrepreneurship and elongate their unemployment status (National Bureau of Statistics, 2011). The determination of relationship between age and involvement in entrepreneurship is dependent on the context of the study because government policy also plays a mediating role on this relationship.

- Education

Human capital is highly essential for the business start up and managing the success of the enterprise. It complements the role of social capital in making entrepreneurs to achieve what they cannot do at their individualities. Those with educational attainments have more potentials of succeeding than those without education. The result presented in Table 5.1 shows that over 70% of the respondents have at least secondary education and general education of the entrepreneurs positively affects entrepreneurship (see Table 5.6). This result supported the findings of Bergmann and Sternberg (2007) in Germany, Henley (2005) and Dawson et al. (2009) in UK, Ritsila and Tervo (2002) in Finland, Sarri and Trihopoulou (2005) in Greece, and Levent et al. (2003) in Turkey. The human capital theory posits that education can help people to become successful in their endeavors. The general education acquired by the entrepreneurs can make them to be successful in managing their own business venture.

Although education influences entrepreneurship positively, the result shows that the relationship is insignificant. This is perhaps due to the arguments from the literature and some empirical findings that the relationship between education and entry into entrepreneurship is ambiguous and not definitive. What is clear and robust is the influence of education on entrepreneurial performance (Weaver et al., 2006 and Raposo and Poco, 2010) while this study measures the influence of education on entry into entrepreneurship instead of entrepreneurial performance. The result of meta analysis conducted by Slius et al. (2005) in developing countries on the relation between education and entrepreneurial performance reveals that out of 40 observations, 33 are positive and 19 are statistically significant. But the link between education and entry into entrepreneurship is still not clear.

Generally education helps in shaping individuals' thinking ability and action in either work or any social interaction. Therefore it is expected that education plays a key role in any entrepreneurial undertaking. The importance of education in entrepreneurship cannot be overemphasized, but is important to reckon with the fact that having higher educational qualification is not an indication that someone will be more successful in entrepreneurship. There are many successful entrepreneurs who are school dropout but became world famous. It is important to highlight that there is a clear difference between entrepreneurial education and general education. The enterprise specific education helps in providing the requisite skills for a particular chosen line of business. While general education prepares persons for a lifelong skills and knowledge that may not necessarily be entrepreneurial.

Specific entrepreneurship education was not given attention right from the very beginning of Nigerian educational system. The system does not take into cognizance the importance of entrepreneurship until recently. The setback for entrepreneurial development could be traced back to the period of colonial administration when the then educational policy was shaped towards providing the necessary manpower for effective administration of Nigeria colony and its protectorates (Aladekomo, 2004). At that time entrepreneurship education was neither considered as a priority nor important for national development. The aim of educational training then was to produce people who can read and write to occupy certain positions in the country such as clerks, interpreters, inspectors etc.

After the independence the same trend continuous by placing emphasis on the establishment of big companies for the purpose of industrializing the nation. The micro and small business sector were completely neglected in the scheme of things. The slow pace of entrepreneurship development at the micro and aggregate level in Nigeria can be attributed to this sheer neglect of entrepreneurship at the very beginning of the Nigeria history. The high demand for white collar job for majority of graduates presently can also be linked to the colonial educational policies. However, the importance of entrepreneurship and small business to the economy was later realized in the 70s, the government decides to shift attention toward developing entrepreneurship and small and medium sector. Many programmes and institutions were set off to bolster entrepreneurship development.

In the National policy of education of 1981 attempt has been made by the government to link the policy with the issue of self employment and the industrial policy. At that time, the main focus was only on primary and secondary schools. The policy pertaining to higher education was somehow deficient because it fails to take care of the need self employment at tertiary level. In the face of the present economic realities, many stakeholders raise question on what is the right education for Nigeria and what kind of education may be suitable in propelling entrepreneurship development in the country? Many suggestions were offered to refocus the current Nigeria's education system to reflect the present realities.

Although some changes have been introduced with time to reflect changing demand, little or no achievement has been made so far to convert the rate of unemployment in the country through business start up. In recent time, the most visible education reform in the country is on higher education. The recent introduction of entrepreneurship as a compulsory course in the Nigerian universities is expected to provide the necessary impetus for entrepreneurial development. The students are expected to be trained and turned into entrepreneurs immediately after graduation. The relationship between education and entrepreneurship can only be measured when those individuals who receive entrepreneurial training are subsequently started a business.

- Family entrepreneurial background

People whose parents are entrepreneurs are more likely to start their own business than others. The result in Table 5.1 indicates that majority of the respondents (56.6%) revealed that their

parents were self employed and in Table 5.6 the result of the regression shows that family background in entrepreneurship positively influences entrepreneurship entry. This means that those with family background in entrepreneurship are more likely to engage in entrepreneurship. The finding supports the result obtained by Andersson and Hammerstedt (2010) in Sweden, Lin et al. (2000) in Canada, Henley (2005) UK, and Columbier and Masclet (2008) in France. There is strong link between choice of entrepreneurship and the activities of family member or any role model. Ruef et al. (2003) reported that about one third of all the businesses in the US are based on relationship through either kinship or marriage. Fairlie and Robb (2004) in the US found that individuals who have self employed parents are roughly 2 to 3 times more likely to become entrepreneurs than people without self employed parents.

The result also supported by the finding of Mathews and Moser (1995) in US which confirmed that individual with family background in small business are more likely to indicate an interest in owning their business as well. There is a gender difference on this kind of relationship which shows that male with family background in small business are more likely to be interested in owning small business than female with the same family background. Business owners are more likely to teach and transmit their business ideas and skills to their children than other people. Families may have particular line of business in which every member is being involved. The family members may also cherish to continue working as self employed rather than looking job elsewhere. Duun and Holtz- Eakin (2000) in the US discovered that the transmission of business skills bring a relationship between self

employed and propensity of their children to become entrepreneurs. The intergenerational link in self employment may be as result of the correlation among family members for their preference for entrepreneurial activity.

There are other studies that established a strong relationship between choice for entrepreneurship and having a role model (Cooper and Dunkelberg, 1984; Shapero and Sokol 1982 and Cooper, 1986). Many literatures also suggest that firm founders are influenced by their role models to become entrepreneurs (Cooper, 1986). Most entrepreneurs have a successful role model in either their family or their place of work place (Brockhaus and Horwitz, 1986). A particular family can be famous for their entrepreneurial activity and every individual member of the family become role model and exert greater influence to his/her siblings to become entrepreneurs.

Social learning theory (Bundura, 1977) posits that certain behavior is the outcome of continuous interaction of cognitive, behavioral and other environmental factors. Children whose parents are entrepreneurs have ample opportunity to learn and develop interest in whatever their parents are doing rather than chosen to work for paid employment. In most cases parents become role model of their children. Scherer et al. (1989) also used social learning theory to study the relationship between a parent role model and preference for an entrepreneurial career. The outcomes of their investigation shows that parental role model have significant influence on the entry into an entrepreneurship. Scott and Twoney (1988)

also discover a relationship between the choice for self employment and the parental role model.

- Unemployment experience

Table 5.2 reveals that most of the respondents (56.20%) were not unemployed before starting their business. This finding indicates that they are opportunity entrepreneurs which supported the pull/prosperity hypothesis. Table 5.6 the regression estimated shows that unemployment experience affects entrepreneurship negatively. It indicates that as unemployment is increasing the rate of entrepreneurship declining. This result supports the findings of Thurik et al. (2008) and Audretsch et al. (2001) in OECD countries. People who stayed longer without employment usually have no income and find difficulties in borrowing money to start up business. Storey (1991) reported that most of the cross sectional or pooled cross sectional studies show negative relationship and statistically insignificant result. Carree (2002) in the US discovers no significant relationship between unemployment and entrepreneurship.

- Government support

Previous studies have shown that government plays a crucial role in developing entrepreneurship by providing necessary support and infrastructure that will allow latent, nascent and existing entrepreneurs to operate successfully. But the result from Table 5.4 shows that most of the respondents are not benefiting from government support and infrastructural facilities with the exception of road network which is not mainly targeted for entrepreneurs alone. Lack of infrastructural facilities and necessary support for entrepreneurs

will affect their entrepreneurial performances and will have negative effect on the country's economic growth.

Rose et al. (2006) in Malaysia found that, in some situation, entrepreneurs are not aware of some government incentive and support programs, and in some cases, entrepreneurs believe that getting government assistance or support is not possible. The estimated result (see Table 5.6) indicates that government support influences entrepreneurial activity positively which means that entrepreneurship is more likely among the beneficiaries of government support. The result is statistically insignificant because most of the respondents have not benefited from government support. People who have argued in favor of government support see it as a necessary means of promoting entrepreneurial activities. But it is found that high tech entrepreneurs who are not benefiting from government support perform better than those benefiting on some key indicators in China. It is sometimes detrimental because it limit the competitive power of the entrepreneurs (Zhang and Si, 2008)

Most of the developing countries have entrepreneurial policy but in most cases the policies are poorly implemented. In addition, the policies are politically motivated and failed to stimulate necessary economic growth and jobs creation. In many of the situations the government policies are also not tied to the reality. There is a loose coupling between public policy and entrepreneurial activity in developing countries (Scott and Jensen, 2008). Loose coupling occurs when policies do not fit the economic and cultural environment within which they are adopted and implemented. Developing countries are prone to adopting

entrepreneurial policy without matching the requirement of those policies with the available resources and peculiarity of their own state. The ultimate goal of economically minded government is to develop policies that are justifiable and implemented within the constraints of resources.

Whenever government effort is channeled toward boosting activities that are not entrepreneurial or productive, there is a probability that such activities could be detrimental to the economic development of that country. The Schumpeter's theory of economic development suggests that innovation is a driving force for economic development. Therefore Schumpeterian entrepreneurs are innovative and opportunity seekers, hence any support should be targeted toward promoting this kind of high impact and innovative entrepreneurs. If majority of those accessing government supports do not engage in real entrepreneurial activities, they cannot not make any significant contribution to the economy.

Unproductive entrepreneurship activities such as rent seeking, touting, black marketing and underground economic activities are indirectly accentuated through the excesses of some government officials in Nigeria. The activities of unproductive entrepreneurs will not have any impact on country's economic development and to some extent it will be destructive to the economy. The essence of good policy is to make impact directly to the target beneficiaries and economy as a whole. The selection between productive and unproductive entrepreneurship is dependent on how the institutions encourage people to carry out their activities. The behavior of the entrepreneurs is dependent on the structure of reward system

which is determined by the rule of the game. The government institutions are very important in determining how entrepreneurs are channeling their entrepreneurial talent. If the rule of the game encourages productive entrepreneurship there will be dominance of productive entrepreneurship. Conversely, if the non productive entrepreneurs are supported they can generate another non productive entrepreneurship which will result in economic decline and stagnation (Coyne et al., 2010).

5.3. Results and discussion for Aggregate Level

In this part the results from time series data are presented and discussed accordingly. The results include unit root test, co integration test, VECM and short run granger causality test, impulse response function and variance decomposition.

5.3.1. Unit root test results

Table 5.7 and Table 5.8 show the results of Augmented Dickey fuller (ADF) and Phillips Perron (PP) unit root tests respectively. The results indicate that the null hypotheses of unit root or non stationarity in both methods cannot be rejected at level form, but it can be rejected after first differencing at 1% level of significance. The results from these methods clearly show that the variables are $I(1)$ integrated order of 1. Most of the macroeconomic variables are $I(1)$ (Gujarati and Porter, 2009 and Bahmani- Osokoe,1995). Since the variables have the same order of integration, it is found suitable to proceed to the cointegration test to examine the long run relationship among the variables.

Table 5.7: Unit root test - Augmented Dickey-Fuller (ADF)

Variable	Level		First Difference	
	Intercept	Intercept with trend	Intercept	Intercept with trend
LENT	-2.1361(0)	-2.9055(0)	-5.5600(0)***	-5.4656(0)***
LPOV	-1.2808(1)	-2.2534(1)	-5.7494(0)***	-5.7140(0)***
LUEM	-0.3635(0)	-2.6438(0)	-5.7646(0)***	-5.6316(0)***
LGDP	1.1616(0)	-1.3405(1)	-8.5310(0)***	-8.5952(0)***

Note:*** denote statistical significance at 1% level. The critical value of ADF can be found in Mackinnon (1996). The optimum lag length in the test was selected automatically based on Schwarz Information criterion. Lag selection figures are shown in (). In ADF, null hypothesis indicating presence of unit root was examined against alternative for stationarity. LENT is a natural log of ENT, LPOV is a natural log of POV, LUEM is a natural log of UEM, LGDP is a natural log of GDP.

Table 5.8: Unit root test - Phillips-Perron (PP)

Variable	Level		First Difference	
	Intercept	Intercept with trend	Intercept	Intercept with trend
LENT	-1.8383(5)	-2.8715(3)	-7.8855(16)***	-9.3802(18)***
LPOV	-1.4925(2)	-2.5001(2)	-5.7400(2)***	-5.7095(1)***
LUEM	-0.2637(6)	-2.6758(1)	-5.9593(7)***	-5.7995(7)***
LGDP	0.8177(2)	-2.6758(3)	-8.3547(1)***	-8.3250(2)***

Note:*** denote statistical significance 1% level. The critical value of PP can be found in Mackinnon (1996). The optimum lag length in the test was selected automatically based on Newey-West estimator using lag selected by Bartlett kernel information criterion. Lag selection figures are shown in (). In PP null hypothesis indicating presence of unit root was examined against alternative for stationarity. LENT is a natural log of ENT, LPOV is a natural log of POV, LUEM is a natural log of UEM, LGDP is a natural log of GDP.

5.3.2. Cointegration and hypothesis testing results

In order to determine whether all the four variables in the system are cointegrated or have a common trend in the long run, Johansen and Juselius multivariate cointegration test was used which involves maximum likelihood test ratio (maximum eigenvalue and trace test). The selection of lag length is performed using Schwarz information criterion (SIC). The lag selection and the result of Johansen cointegration test are presented in the Table 5.9 and Table 5.10 respectively.

Table 5.9: Lag selection based on multivariate SIC

Lag	SIC
0	3.290467
1	2.627118*
2	-1.652972
3	-0.653431

Note: SC refers to Schwarz Information Criterion. Asterisk * denotes the optimum lag selected for VAR estimation in Eviews

Table 5.10: Cointegration and hypothesis testing result

H ₀	H _A	Max eigenvalue	95% CV	Trace	95% CV
<i>Panel A: Johansen multivariate test</i>					
r = 0	r = 1	28.9815**	27.5843	48.9196**	47.8561
r ≤ 1	r = 2	15.0945	21.1316	19.9381	29.7970
r ≤ 2	r = 3	4.7803	14.2646	4.8435	15.4947
r ≤ 3	r = 4	0.0631	3.8414	0.0631	3.8414
<i>Panel B: Normalizing the cointegrating vector</i>					
<i>Variables</i>		<i>LENT</i>	<i>LPOV</i>	<i>LUEM</i>	<i>LGDP</i>
		-1.000	- 0.1346	0.9603	-0.2093

Notes: r indicates number of cointegrating relationships. Asterisk (**) indicate 5% level of significance.

Table 5.10 panel A reveals that the alternative hypothesis is accepted indicating 1 cointegrating vector in both max eigenvalue and trace tests. This indicates the existence of long run relationship among entrepreneurship, poverty, unemployment and GDP. Hartog et al. (2010) found in 21 OECD countries the existence of long run equilibrium relation between entrepreneurship and GDP. Hussain, Saddiqi and Iqbal (2010) in Pakistan and Aktar and Ozturk (2009) in Turkey reveal the existence of long run relation between GDP and unemployment. In India, Pradhan (2010) discovers that there is a long run equilibrium relation between poverty and GDP.

The result in Table 5.10 panel B shows the normalized cointegrating vector. The coefficients indicate the long run elasticity of the variables. The normalized equation shows that poverty affects entrepreneurship negatively, which means that as the rate of poverty is increasing, the rate of entrepreneurship or business start up is decreasing. This also means that keeping other variables constant, any increase in poverty will decrease the rate of entrepreneurship by .13% points. The result supports the findings of Rosa, et al. (2006) in Uganda and Sri Lanka, Mulira et al. (2011) in Uganda, Block and Sandner (2009) and Wagner (2005) in Germany and Verheul et al. (2010) in 27 European countries and US. This result reveals that the existence of entrepreneurship at the country level is likely to be based on opportunity instead of necessity because poverty cannot stimulate most of the poor to engage in entrepreneurial activities. This finding reflects pull/prosperity effect which says that people decides to enter into entrepreneurship because of the existing opportunity not because they could not find other alternatives or pushed by economic circumstance.

The negative relationship can be justified based on the present level of poverty in the country. Since about 70% of Nigeria populations are poor, it is difficult for them to meet up with their basic needs and engage in entrepreneurial activity. Generally people in poverty lack basic resources for the sustenance of their lives. Increase in poverty rate impliedly means poor people in the country are constrained from partaking in entrepreneurship. Various government regimes in the past attempted to promote entrepreneurship in order to address the problem of poverty through enactment policies and programs such as National Poverty Eradication

Program (NAPEP), Poverty Alleviation Program (PAP), Family Economic Advancement Program (FEAP) and Family Support Program (FSP). The negative relationship between entrepreneurship and poverty in Nigeria as revealed in this study is a clear indication of the failure of these policies and programs to make significant impact on entrepreneurship to reduce poverty.

The literature pointed out that the major constraint of the poor is lack of financial and social capital (Zhan and Si, 2008). Poor people normally have meager income that is not sufficient to meet up with their basic needs and have savings for business start up. They usually find difficulties in borrowing money because they have no assets or collateral required by the banks. One of the important means through which the millennium development goal of halving poverty can be attained is to empower poor people to massively engage in entrepreneurship otherwise the MGDs target for 2015 will remain elusive.

Despite the financial difficulties faced by the poor, some of them may become successful if they are able to overcome some of the financial challenges. But majority may not overcome their personal problem because they do not have the necessary network, idea and acumen. There is a frequent entry and exit into self employment among the poor who are able to start up a business. Whenever they are facing challenges, especially if the business is generating less income or they are making a loss, they can easily abandon the business and start looking for a paid employment. In most cases the involvement of poor into entrepreneurship is out of sheer necessity.

This result at the aggregate level can be linked to the earlier result found at the individual level to understand why most of the poor cannot start up their own business. Table 5.2 shows that majority (56%) of those starting business have income before commencing their business and majority of the respondents used personal saving as their capital. This clearly indicates that poor people who have no income and savings are financially constrained to start any form of business even if they have a good business idea. The positive coefficient of previous income (see Table 5.6) shows that as previous income is increasing the rate of entrepreneurship will also increase. This result reaffirms the importance of income in enabling people to start up business. The finding at the aggregate level is congruent with the result at the individual level. This is because of the negative relationship between entrepreneurship and poverty at the aggregate level is as a result of the constraints faced by the poor people who have neither income nor personal savings to start business as found at the individual level.

It also appears that unemployment (LUEM) influences entrepreneurship positively. The result shows that any increase in unemployment will increase the rate of entrepreneurship by .96% points while holding the other variables constant (see Table 5.10). This positive relationship between unemployment and entrepreneurship corroborates the findings of Yamawaki (1990) in Japan, Audretsch et al. (2001) in 23 OECD countries, Highfield and Smiley (1987) and Evans and Leighton (1989) in US, Ritsila and Tervo (2008) in Finland, and Reynolds et al. (1994) in France, Germany, Ireland, Italy, Sweden, the UK and US. The result also shows that people in the country become entrepreneurs because of threat of unemployment. This reflects

the existence of refugee effect/push hypothesis in which unemployed people are motivated to start up their business because there is no prospect of getting paid jobs due to macroeconomic instability or depressed market condition (Storey, 1991).

Since unemployment rate is high (21.4% in 2010) in Nigeria, the unemployed can have only two options either to start up their business or keep searching for employment opportunities elsewhere. The decision in this regard is dependent on the relative payoff in the environment. The unemployed will prefer to have lower income from their business than staying unemployed or continue searching for employment. People in the country can exercise their latent potentials to form new business as the unemployment rate is increasing (Hamilton, 1989).

The dimension of entry into entrepreneurship varies between unemployed and employed people. Evan and Leighton (1990) in the US found that entry into self employment is high among unemployed than those who are working. Although unemployed persons are motivated to start business because of unemployment, they have different mission in the way they promote their business. Some of them may decide to become self employed temporarily before they could get another paid employment, while others may consider it as a permanent means for their livelihood. The rate of business start up by the unemployed could be accelerated based on the conditions and other environmental factors in the country. The extent to which unemployment influences the rate of entrepreneurship is very crucial in the realm of public policy (Audretsch and Jin, 1994).

The government of Nigeria came up with various policies and programs to support unemployed persons to become entrepreneurs. These include the formation of National Directorate for Employment (NDE) in 1986 which is charge with the responsibility of training and supporting unemployed to become self reliant by starting their own business. The recent introduction of entrepreneurship courses in all tertiary institutions across the country which is aimed at providing necessary training and business skills to the students so that they can start their own business upon graduation. This is designed with the intention of relieving the graduates from the problem of unavailable vacancies in the labor market.

The result obtained at aggregate level is not consistent with that of individual level. There is a consensus in the literature that most of the results in time series analyses testing relationship between unemployment and entrepreneurship are positive while cross section studies exhibit a negative relation (Storey, 1991). This means that there is push and pull factors at aggregate and individual level respectively. The pull factor at the individual level is due to the fact that majority of those that have started business were not unemployed. They have personal savings and access to other resources that enable them to start up the business. Most of the unemployed who were constrained by unavailability of resources were not captured in the survey at the individual level but the numbers of unemployed over time are considered at the aggregate level.

Hamilton (1989) provides a reconciliatory explanation between the results obtained from time series and cross section studies. He asserts that with some policies aimed at promoting business formation the pattern of relationship in cross sectional study would be consistent with the time series. The cross sectional relation is only pertinent to a particular area and time of the survey while time series consider the aggregation of regional differences and unemployment trend in the country for a long time period. A negative relationship between unemployment and entrepreneurship should be expected beyond presumably critical level of unemployment in a country.

The result also reveals that GDP affects entrepreneurship negatively. It indicates that any increase in GDP will reduce the entrepreneurship by about .21% points holding other variables constant (see Table 5.10). This means that as GDP is increasing, entrepreneurship is decreasing. The relationship between entrepreneurship and GDP is more likely to be positive for developed countries and negative for developing countries (Acs, 2007 and Acs et al., 2008). The result reflects the left hand side of U curve shaped hypothesis for developing countries and it is supported by the findings of Carree et al. (2002), Stel et al. (2004), Wennekers et al. (2005), Naude, et al. (2012) and Acs (2007) in GEM countries and Koster and Rai (2008) in India.

In developing economies when countries experience low income and high unemployment at the initial stage of their development, people will have no option other than to engage in entrepreneurial activity as a means for survival. There will be a proliferation of many

necessity entrepreneurs at this stage. But with the improvement of country's economic condition these necessity entrepreneurs will decline their interest in entrepreneurial activity leaving only opportunity entrepreneurs who have started their business because of perceived opportunity in the market not because they do not have any other option.

The reason for the decline in entrepreneurship is that the necessity entrepreneurs may not have necessary interest and enthusiasm to cope with the intense competition generated in the market. They would find that it is easier to look for paid employment rather than sustaining their business or starting a new one. Opportunity driven entrepreneurs are high impact entrepreneurs that promote the economy. They came into the market with innovations and compete for resources and market share, thus making the market conditions and business environment very difficult for necessity entrepreneurs to profitably run their business. Most of the findings using GEM research data provide a support for this kind of relationship for both developed and developing countries by confirming U shape curve hypothesis.

The diagnostic test results are presented in Table 5.11 which indicates that the model is robust and satisfactorily proven by the result obtained. The estimated residuals have followed normal distribution pattern, the residual are serially uncorrelated, and there is no problem of misspecification and hetroscedesticity of variance.

Table 5.11: Diagnostic test

AR	ARCH	RESET	JB	White
1.050	0.349	0.998	0.858	0.905
(0.365)	(0.907)	(0.327)	(0. 651)	(0.538)

Note: AR and ARCH are the Lagrange multiplier tests for serial autocorrelation and ARCH effect respectively. RESET refers to Ramsey Reset specification test. JB is the Jarque Bera statistics for residual normality test and White refers to White general heteroscedasticity test. Figures in parenthesis are p- value.

Moreover, the recursive parameter estimate of CUSUM and CUSUM of square tests is presented in Figure 5.1 and Figure 5.2 respectively. The tests indicate that the model is relatively stable as the cumulative values fall within the two standard deviations boundaries at 5% level of significance.

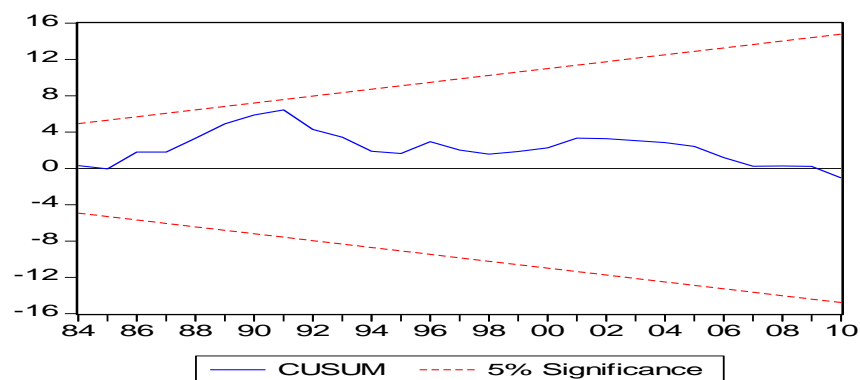


Figure 5.1 CUSUM TEST

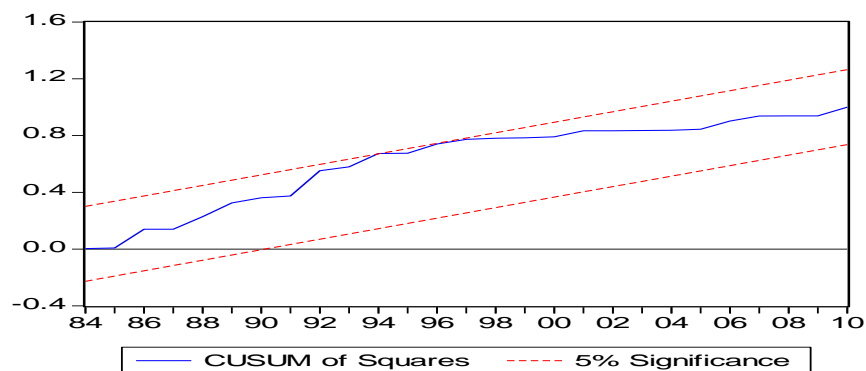


Figure 5.2 CUSUM OF SQUARE TEST

5.3.3. Granger causality and VECM results

Since a long run relationship has been established among the variables, the study proceeded with vector error correction model to determine the short run dynamics of the system. After the detection of cointegration relation, the proper VAR framework that studies the dynamic relationship between variables must include error correction term (ECT). Thus, VECM provides a framework in examining both short run and long run causal relationship among variables in the model. The result of Granger causality among the variables is presented in the Table 5.12;

Table 5.12: VECM and short run Granger causality result

Dependent Variables	X ² –Statistics				ECT	
	Δ LENT	Δ LPOV	Δ LUEM	Δ LGDP	Coefficient	t-statistic
Δ LENT	-	4.9881(0.026)**	2.0555(0.152)	1.6682(0.197)	-0.1467	-1.5652
Δ LPOV	0.0809(0.776)	-	6.1019(0.014)**	11.768(0.001)***	-0.1836***	-5.2393
Δ LUEM	0.3588(0.549)	2.0593(0.151)	-	0.3350(0.563)	-0.1082	-0.7852
Δ LGDP	0.0203(0.887)	0.9732(0.324)	1.4282(0.232)	-	-0.0388**	-2.4226

Note: The VAR was based on 1year lag structure and a constant. ***, **, * indicates statistical significance at 1%, 5% and 10% level respectively. Figures in parenthesis () are p- value.

In Table 5.12 the result shows that LPOV and LGDP equations have ECT that is statistically significant. This indicates that these variables will be responsible for the short run adjustment to bring back the system to long run equilibrium. This means that any innovation due to poverty in the short run, the speed of adjustment will be 18% per year which indicates that system needs about 6 years to revert to the long run equilibrium. The Granger causality result

shows that there is evidence to accept the alternative hypotheses that poverty directly causes entrepreneurship. Unemployment and GDP indirectly cause entrepreneurship

The direction of short run causality from the result can be seen in Figure 5.3;

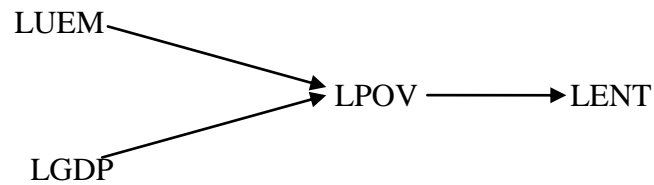


Figure 5.3: Direction of short run causality among the variables

Unemployment and GDP indirectly caused entrepreneurship through poverty, while poverty directly Granger caused entrepreneurship. This result supported the findings of Phehn-Dujowich (2012) in US. Both the direct and indirect causality reflects the existence of refugee/shop keeper's effect. This finding can significantly contribute to the argument on whether entrepreneurship is relevant and necessary under the present Nigeria's economic condition in which unemployment and poverty is high (see Table 2.3 and Table 2.4 respectively) and GDP is steadily increasing (see Table 2.1).

The level of unemployment in a country causes people to live without income and cannot afford basic needs and wants. This situation necessitates them to become self employed in order to get income for their livelihood. But it is noted that high level of unemployment beyond certain critical level does not necessarily induce people to become entrepreneurs in a country (Hamilton, 1989). At any level where unemployment is presumed to be critical, few business opportunities will be left and many people who had earlier become self employed

will reveal their bitter experiences of business failure due to intense competition. The indirect causality from economic growth to entrepreneurship through poverty indicates that low GDP due to low economic activity and consumer demand causes poverty which consequently pushes poor people to engage in entrepreneurial activity. This situation creates necessity entrepreneurs who will make a little impact on the economy. They may exit from entrepreneurship as soon as the situation improves because they were not motivated by opportunity in market. However, in spite of no evidence of causality running from entrepreneurship to poverty and unemployment in the short run, entrepreneurship could be significant in the long run in reducing poverty and unemployment since long run relationship between the variables are already established.

5.3.4. Variance decompositions (VDCs) results

The variance decompositions are used here to gauge the strength of the causal relationship among all the variables in the system. This dynamic analysis beyond the sample strengthened the empirical evidence from the earlier granger causality analyses. The Table 5.13 shows the decompositions of the forecast error variances of each variable in the system up to 50 years.

The analysis from the VDCs result can be summarized as follows:

- i) The result indicates that LUEM is the most exogenous variables in the system with only 9% of its forecast error variance been explained by the other variables.
- ii) The result also shows the LPOV is the most interactive variable in the system because about 93% of its forecast error variance is explained by LENT (72%), LUEM (12%) and

LGDP 8%). It therefore said to be the most endogenous variable and this strengthened the evidence of causality between unemployment to poverty (LUEM \longrightarrow LPOV) and between economic growth to poverty (LGDP \longrightarrow LPOV).

Table 5.13: Generalized variance decompositions (VDCs) result

			Percentage of forecast variance explained due to innovation:				
Horizon			Δ LENT	Δ LPOV	Δ LUEM	Δ LGDP	Δ CV
Years	1	Relative variance in Δ LENT	100.000	0.000	0.000	0.000	0.000
	2		84.301	0.143	15.098	0.457	15.699
	10		68.011	0.965	30.779	0.245	31.989
	20		66.395	0.969	32.445	0.191	33.605
	30		65.841	0.971	33.016	0.172	34.159
	40		65.561	0.972	33.304	0.163	34.439
	50		65.392	0.972	33.478	0.157	34.608
	1	Relative variance in Δ LPOV	0.358	99.642	0.000	0.000	0.358
	2		11.937	83.354	1.303	3.406	16.646
	10		63.211	18.002	12.267	6.521	81.998
	20		69.257	10.809	12.376	7.558	89.191
	30		71.139	8.567	12.410	7.884	91.433
	40		72.057	7.475	12.426	8.042	92.525
	50		72.600	6.828	12.436	8.136	93.172
	1	Relative variance in Δ LUEM	2.247	2.400	95.353	0.000	4.647
	2		3.012	1.407	95.481	0.100	4.519
	10		1.178	5.803	92.231	0.788	7.769
	20		0.895	6.868	91.183	1.054	8.817
	30		0.795	7.248	90.808	1.149	9.192
	40		0.744	7.442	90.616	1.198	9.384
	50		0.713	7.561	90.499	1.228	9.501
	1	Relative variance in Δ LGDP	6.586	0.062	3.996	89.356	10.644
	2		14.499	0.318	3.155	82.028	17.972
	10		28.836	4.423	0.348	66.394	33.606
	20		29.891	4.790	0.184	65.135	34.865
	30		30.196	4.896	0.137	64.770	35.230
	40		30.341	4.947	0.115	64.597	35.403
	50		30.426	4.976	0.102	64.496	35.504

Note: Figures in first column is horizons in years. The column in bold represents the impact of each variable's own shock. The last column provides the percentages of forecast error variances of each variable explained by the other variables.

All figures in table are rounded to 3 decimal places.

- iii) The change in LENT happens largely as a result of movement in LUEM. The effect of LUEM on LENT is increasing as the time horizon (years) are also increasing. The result supports the indirect relationship from unemployment to entrepreneurship through poverty.

5.3.5. Generalized impulse response functions (GIRFs) results

The system as earlier mentioned has four dimensional variables. Therefore 12 possible scenarios of GIRFs are presented for all the variables after disregarding each variable's own shock. The Figure 5.4 shows the visual illustrations of The GIRFs up to 50 years. In most of the result the variables exhibit rapid responses to the shocks, they rather move fast until after 10 years when they become stable. Moreover, LENT respond negatively due to shock in LPOV that indicate the existence of negative relationship between them. LPOV respond positively due to shock in LUEM and respond negatively due to shock in LGDP.

Response to Cholesky One S.D. Innovations

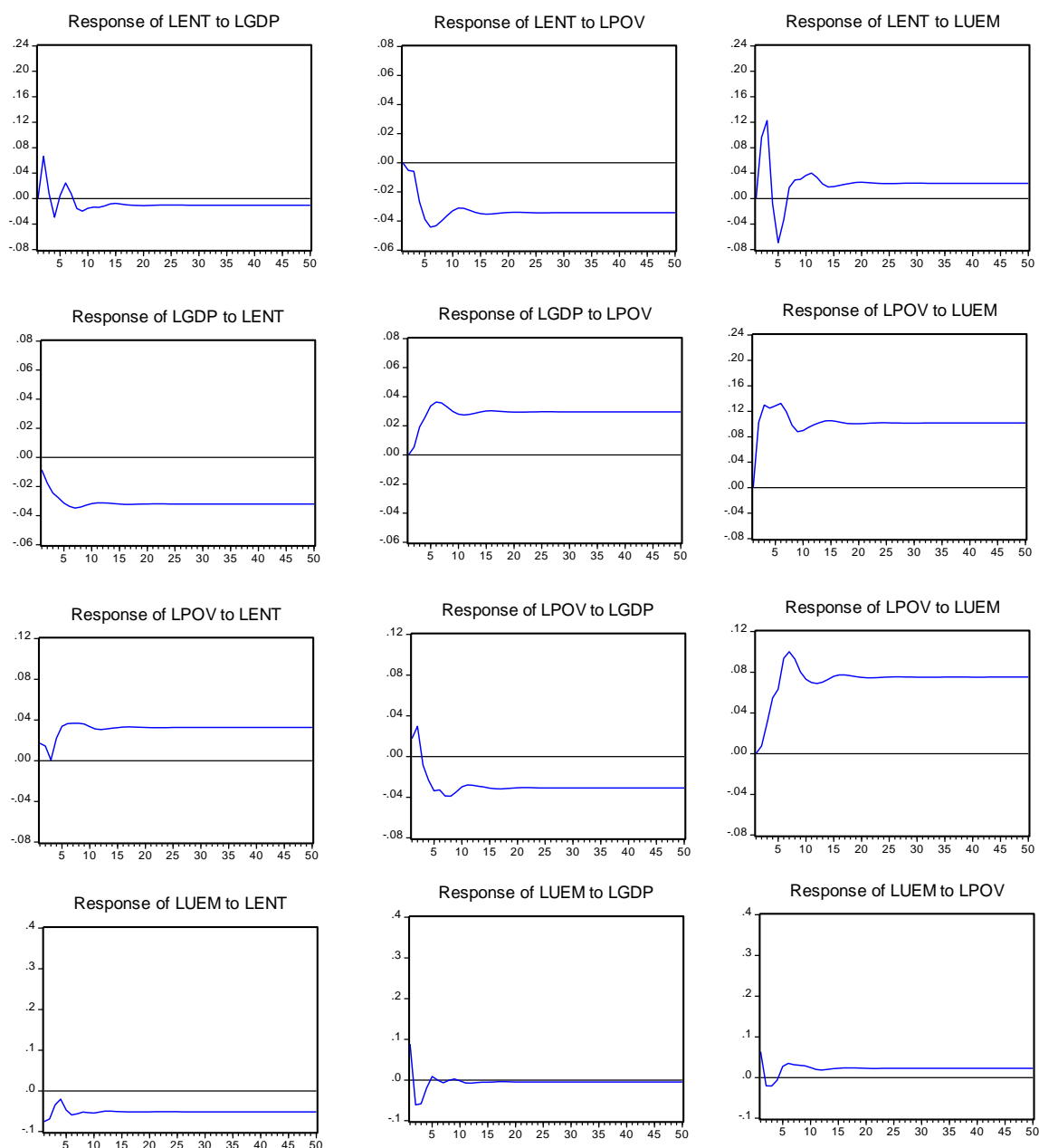


Figure 5.4: Generalized Impulse Response Functions (GIRFs) Result

5.4. Summary of Findings

The results at the individual level have shown that majority of those who have started business have no unemployment experience. This means that they were not unemployed prior to the commencement of their business. The result also indicates that start up capital and gender are the most significant variables influencing entrepreneurship development. The result indicates that start up capital have positive and significant influence on entrepreneurship development. It is also found that women are less likely to partake in entrepreneurship compared with their men counterpart.

At the aggregate level it is found that there is a long run relationship among entrepreneurship development, poverty, unemployment and GDP. The Granger causality result shows that poverty directly caused entrepreneurship and unemployment and GDP indirectly caused entrepreneurship through poverty. The result further reveals that poverty and GDP negatively affect entrepreneurship development, while unemployment positively affects entrepreneurship development in the country.

CHAPTER SIX

QUALITATIVE RESULTS AND DISCUSSION

6.1. Introduction

This chapter provides a complimentary information and explanation on the results obtained using quantitative methods. The qualitative data explored during the interview with some key informants are presented and discussed to provide holistic information on entrepreneurship. Therefore, the qualitative results are presented and discussed to support the earlier findings in chapter five.

6.2. Results and discussion

The qualitative results are presented and discussed according to each variable as follows:

- Start-up capital and income

Start-up capital is an essential ingredient for entrepreneurship involvement. Many people who have intention of starting up their own business are often confronted with the problem of sourcing initial capital for the take off of their business. Some used their personal savings as start-up capital while in some cases people convert their personal asset into capital. The unemployed who have no income and the poor people who have no savings find it extremely difficult to source money for business start up. The quantitative result in the previous chapter shows majority of the respondents used personal savings to begin their business which is considered as an evidence for liquidity constraint for entrepreneurship.

Many studies consider liquidity constraint as impediment for entrepreneurial growth and development (Hurst and Lusardi, 2004). During the interview the key informants stated how they were able to start their business. The informants reveal that they used their personal savings as follows

An entrepreneur aged 43 who has no educational qualification reveals that;

“I mobilized my personal saving to start doing something”

A married woman aged 32 who has a diploma certificate stated that;

“I saved some money personally and I got some money from my friends and family members to start with”

Another business man aged 56 who has no educational qualifications says that;

“I have started saving some money immediately after my apprenticeship. I used the money to buy some tools in piecemeal in order to start on my own”.

A young man who has diploma certificate also narrated that;

“When I finished my apprenticeship I worked with somebody where I saved some money to start my own”.

This result is line with the findings of Mulfinger (2010) which shows that majority of the entrepreneurs in France used their personal savings to start their business. Other people used other sources such as family and friends and sold out their asset to be able to start up the business. But when majority of people are resorted to personal savings is a clear indication that they either have no borrowing culture or they are self sufficient. It was explored during the interview that the problem is not about borrowing culture or being self sufficient but people became discouraged because of the difficulties involve in accessing finance from banks and other institutional lenders. This similar problem is found in Italy that between 1989

to 2006 only one fourth of the small entrepreneurs were able to access bank loan and only 20% borrow long term bank loan to finance their business. In South Africa, it is also found that lack credit from banks in one of the factors discouraging people from starting or expanding their business (Muhanna, 2007).

The key informants revealed their views and experiences in getting money from particularly banks. Some of them commented as follows.

A person who has a higher national diploma and is managing his business expresses his dissatisfaction with the banks that;

“I thought of going to bank to get a loan, in fact many banks approached me with a view to give me loan but I had to decline their offers. Because I don’t have confidence in banking system because of high interest charges and above all is the problem of high maintenance cost of standby generator discourages me to collect any money from banks”

Another informant who is running his business alone and who has no educational background narrated his experience that;

“I had considered going to the bank, but that effort fails because the bank asked me to make deposit for 6 months before they could consider my application for loan. I was discouraged because if I could save money for that period I think that it is enough for me to continue with the business”.

A female entrepreneur aged 47 years decided to secure a bank loan instead of from her friends and family. She commented that;

“I thought of my friends and other people but I later resorted to bank to get money at certain interest rate”

One of the informants who has poor family background and is not educated revealed that

“I didn’t consider the option of sourcing capital from bank at all. I am using what I have because I am from poor background, I don’t think I will get money from any bank”

The responses of the key informants show that some have made effort to get money from a bank but they were unsuccessful while some were discouraged because of the bank conditions. They revealed their dissatisfaction on the process of securing microfinance from the government and they are even discouraged in applying from such incentive or privilege. The informants’ comments indicate their level of discouragement as transcribed below.

An entrepreneur aged 39, who has 7 people working under his business reveals that;

“There is a problem in that area, I was personally contacted by government officials on how they can assist me with some money but nothing comes out up till today. The officials promised to give me the sum of five million naira (US\$ 31,847) interest free but all the effort proves abortive”

One of the members of small scale producers of groundnut oil stated;

“I may not have any problem if the government will give any financial assistance, it will surely benefit through our association”.

A non indigene that resides and operates his business in Kano state said that;

“I don’t know if the government is supporting people financially. I am not even thinking of that because I am not an indigene of this place”.

A retiree who have started his own business expressed his feelings that;

“The government functionaries are not honest in performing their function, they only bring their family and friends to benefit from the scheme at detriment of actual entrepreneurs. The government financial assistance is not reaching those who are in real business”.

A young entrepreneur whose age is 27 years lamented that

“The major problem is that usually assistance from the government takes longer time before you could benefit, sometime you tend to lost hope in the process”

Due to the incessant financial problem of micro and small entrepreneur, the Nigerian government came up with microfinance policy to provide ways in which micro and small entrepreneurs can easily access fund for start up or business expansion without unnecessary difficulties. However, it seems the policy fails to address the financial problem of small prospective and existing entrepreneurs. This is perhaps because of the inefficiency and favoritism in processing the funds to the rightful beneficiaries as narrated by some of the key informants. The feeling of dissatisfaction and discouragement expressed by the informants reflects the theory of discouraged borrowers that explain how people become discouraged in applying for any support or incentive because of the inefficiency and ineffectiveness in processing applications. In most cases banks fail to process and issue loan to micro and small entrepreneurs because of the information asymmetry and moral hazard in the UK (Cowling and Michell, 2003) and in the US (Steijvers et al., 2008).

It is observed that lack adequate and functional microfinance institutions in Kano state contribute to the problem of the entrepreneurs. In 2010 there were only seven operational microfinance banks in Kano (Central Bank of Nigeria, 2010). The number of the banks is grossly inadequate considering the number of unemployed and the population in poverty in the state. Similarly, the micro and small entrepreneurs in Kano state secured only 1.22% of

the total amount set aside by the banks under Small and Medium Equity Investment Scheme in 2009.

- Gender

The lower participation of women in entrepreneurship found at the micro level using quantitative approach is not surprising because the same applies to many countries across the globe (Tarrell and Trioilo, 2010). For instance in China only 20% of the enterprises are owned by the women entrepreneurs. Similarly, an enterprise survey conducted in Africa confirms that the number of women entrepreneurs is lower compared to that of men. The data shows some variation on the extent of women's participation. In Kenya, Senegal, Morocco and Tanzania the women owned less than 10% of the total enterprises. Women entrepreneurs own 20% to 30% of the enterprises operating in Zambia, Egypt, Madagascar and Swaziland. But in some countries such as Botswana, Mozambique, Cameroon and Cape verde, they own up to 40% and above of the enterprises. There are various reasons why women's participation in entrepreneurship is lower compared to that of men in Kano. Some of the reasons can be linked to both formal and informal institutions.

It is observed that the common practice among families in Kano state is that the responsibility of providing basic need and want lies with the head of the household. In most cases men are the head of the household except in some situation where widow, divorcee or unmarried woman become the head of the household. The Islamic religion plays a prominent role in shaping the position of individual members of the family in the state. Men have the primary

responsibility of providing shelter, clothing, food, education and other basic things for a living to the family members, hence it become absolutely necessary for them to earn income either through paid employment or entrepreneurial activity. The women consider the domestic responsibility such as looking after the children, cooking and general maintenance and housekeeping as their major role. In most cases they remain at home as housewives and their involvement in business as complementary. Similarly, many Moroccan women believe that they born to stay at home and take care of their children (Fernea, 1998).

During the interview some of the key informants stated their opinion on why women are not starting business like their male counterpart as follow

A married woman aged 42 and has attained diploma education said that;

“In most cases women are not the head of their household, they do not see it as responsibility to provide for the family. Women generally are reluctant to join business especially if the husband has a sufficient income to take care of the entire family”

A woman who is a widow and has secondary education is of the opinion that;

“Usually people do not attach much importance to women businesses as compared with the men. Women businesses are mostly considered as petty and supplementary means of getting an income to the family”.

Another woman married aged 33 expresses her view that;

“Some women believe that it is the responsibility of their husband to provide all they need at home so they become reluctant to be involved in any type of business”.

Some of the key informants blame men or husbands for not allowing their wives to partake in any entrepreneurial activity. They believed that married women are mostly facing challenges from their husbands.

A married business woman aged 41 explained that;

“There is nothing a woman can do if her husband does not allow her to do business or work. In some cases men doesn’t want their wives to stay far away from their homes because of their children”.

Another business woman whose age is 34 years commented on the situation that;

“Some men in this locality prefer their wives to stay at home in order to cater for the children and other domestic responsibilities. Married women are mostly facing challenges from their husband for not allowing them to go outside for business purposes or gainful employment”.

Apart from the restriction imposed by the societal institutions, there other problems that contribute to their less involvement. These include lack of access to business information on the existing opportunities. Access to regular and important business information helps in attracting people to engage in entrepreneurship. They have limited networks and spend much of their time at home with the family members. Men are naturally privileged to have various sources of information by virtue of their networks and position in the society. They stay longer in employment and have vast life experiences, while women are often not well connected to business networks through which information can be tapped and shared. Many factors may be responsible for that, for instance women are often restricted by their immediate family, parents or husbands about the extent of relationship or network they can established. It

is not their sole prerogative to determine and establish networks as freely as possible like men in the society.

Women generally in developing countries are not aware of many financial options available for them to exploit. In fact lack of access to finance is often seen as one of the main problems that impedes the development of women's owned enterprises in Nigeria (Sanusi, 2012). They appear to take less risky business venture because of their position in the society as daughters and wives. Their choice for what kind of business or entrepreneurial activity is dependent on their parents or husbands' decision. Generally men do not like their sisters and wives to be involved in a risky undertaking when compared with the extent to which men are allowed to partake with less restriction.

Welter and Smallbone (2008) in Uzbekistan found similar result of lower participation of women in entrepreneurship because of the institutional constraint. The nature of men dominance can be attributed to the pre-Soviet era when women in Uzbekistan live under the full doctrine of sharia'ah. They were only allowed to engage in business but within the confine of their homes. Although the situation has changed during the Soviet Union times and the present Uzbekistan, the system failed to completely overcome the deeply rooted traditional attitude that limits women involvement in economically productive activity.

However, the situation is now changing in Kano state as many women are allowed to engage in entrepreneurship. The key informants responded on the current position of women as follows.

A married woman entrepreneur aged 42 argued that the situation is now different from the past. She stated that;

“The situation in the country has changed, as a woman I cannot wait for my husband as before to provide for the family alone. I have to also do something to support my family”

Another married woman who has a diploma education states her position that;

“I was motivated by my husband to start a business. He actually provides the capital and gave necessary support for the business. This kind of business cannot stop me from discharging my domestic responsibility”.

The change in women’s participation in entrepreneurship in Kano state is also reflected in the change of labour market participation and other economic activity in the country. A recent survey in Nigeria shows that women are not getting married early as it was in the past and they enter into the labour market pending when they get a husband (NBS, 2011). Additionally, due to some policies geared toward gender empowerment in the state a lot of women were given the opportunity to involve in economic activity. Women are increasingly becoming more financially independent and enter into labour market and business arena because of the increase in the women education. Similarly, there are also changes in the participation of women in entrepreneurship in some countries. For instance in Thailand men on the average grew their business by only .03 %, while women’s owned enterprises grew by 2.3 % (GPFI/FC, 2011).

- Unemployment Experience

The quantitative results show that some of the respondents (43.8%) were unemployed before commencing their business. Therefore during the interview it was explored to find out whether unemployment plays influential role on the entrepreneurs' decision to engage in entrepreneurship. Unemployed persons are usually motivated to start up their business or become self employed rather than looking for paid employment opportunity. Looking at high level of unemployment in Kano state, it is therefore expected that employment vacancies will be highly competitive among young and adult people. Those how are already occupying positions may have a fear of losing their jobs without getting another one. Hence they find it expedient to start transiting to self employment through business start up. Many people decide to enter into entrepreneurship because of unemployment or if they entertain this kind of fear. The key informants were asked on whether unemployment experience influences their decision of becoming entrepreneurs, they stated as follows.

A married women aged 32 narrated that;

“Before starting this business I looked for a job but it was not easy to get one. In fact I was motivated to be on my own looking at the situation in the country where unemployment is very high”.

A young man aged 29 reveals that,

“I had stayed without employment in past but that is not what motivated me to start this business”.

Another man who has been educated up to secondary level stated that;

“I stayed for several years without being employed. I was really motivated to start thinking of what to do to earn a living”.

The result shows that unemployment may not necessary push some people into becoming entrepreneurs. There are some constraints that may hinder business start up and there are some other reasons rather than unemployment that motivate people to start up a business. In a situation where people become entrepreneurs because of unemployment there is every tendency for them to abandon entrepreneurship in face of difficulties or if they find a better employment offer. Some of the key informants who have started business because of unemployment stated their position on whether they would abandon or continue with their business in future. They reveal their minds as follows

A married and educated woman reveals her mind that;

“It is not easy to manage this business. If I would be employed today I will definitely close this business. It is better for me to work for salary”

A man aged 32 and has attained secondary education states that;

“Nobody will convince me to abandon this business for a salary. In fact I can't work for another person in my life again”.

Another man aged 48 and has a master degree asserts that;

“To be honest with you I can't leave this business for monthly pay, because in this business I can get five times of what I may be paid monthly. If I decided to close this business because of salary, the money I will be receiving may not be adequate for me hence I will be losing some income”.

These responses have shown that people who have become entrepreneurs because of unemployment may not necessarily abandon their established business. They find entrepreneurial activity very rewarding and self sustaining better than the paid employment. Despite the fact that unemployment serves as a motivational factor to many people, it is also discovered that unemployed people suffer the same fate like the poor people. Apart from liquidity problem for start- up capital, they also lack necessary entrepreneurial training to sustain the business.

It is noticed that unemployment is high among youth and female in the country. In 2011 the unemployment rate was 37.7% for youth aged 15 to 24 years which is the highest among other age categories. The high unemployment among youth can be attributed to the high number of students' enrollment and graduates coming out from universities and colleges without corresponding employment vacancies. The employment data in Nigeria shows that for the past five years (2007 to 2011) graduates from tertiary institutions entering into the labour market is on the increase and the figures vary according to the years due to establishment of additional universities in the country. On the average there are about 1.8 million graduates joining labour market annually (National Bureau of Statistics, 2011).

There are a large number of youth who have dropped out from secondary schools and join the labour market. Some of the youth have successfully completed primary and secondary schools but they are not opportune to further their education, hence they became part of the job seekers. The unemployment rate for women (24.3%) is higher than that of the men in the

country (National Bureau of Statistics, 2011). The women situation has drastically changed with a drop in the number of cases of early married among women. Those who suppose to be married and stay out of business or labour market by being housewives as practice before are now increasingly entering into labour market pending when they find a husband.

The revelation of youth and female unemployment is not particularly encouraging when looking at the number of these categories of people coming out of schools and colleges without corresponding vacancies for them to occupy. The problem is severe because of the notion of the majority of the graduates for seeking a white collar job instead of founding a business of their choice or become self employed. There has been an increase in the number of students' enrollment in tertiary institutions in both Kano state and other states in the federation without corresponding increase in the number among the graduates starting up a business. This increases the number of the unemployed while the rate of the new business start up is decreasing.

▪ Education

Previous studies indicate that education is very essential to the success of the entrepreneur. What is not very clear is whether education influence individual's entrepreneurial intention for business starts up. The influence of education on entrepreneurial performance is very clear and supported by some empirical studies (Raposo and Poco, 2010 and Weaver et al. 2006). The survey result in the previous chapter (Table 5.6) shows that education influences entrepreneurship positively and insignificantly. It is found during the interview that education

helps the entrepreneurs to succeed in managing their business very well, but what has not been established is the fact that their educational attainments influence their choice for entrepreneurial activity. Some of the key informants explain the role of education in their business undertaking as follows

An adult aged 39, who had possessed higher national diploma (HND) in business administration revealed that;

“Education helps me a lot in managing the business successfully. I find the knowledge acquired during my HND very useful to improve the business especially with regard to profitability issue”.

Another man whose age is 43 years commented on his education and his business that;

“I have no educational qualification but I use my experience to manage the business successfully”

An adult of 56 years, who has no educational qualification and is managing his business lamented that;

“Although I am not educated there is nothing like education. I believe if I am educated my business would have surpass the present state. In fact lack of education limits my progress”.

Another young man aged 28 years, who have diploma certificate revealed that;

“You have to deal with many people in the cause of doing business, so my education helps me a lot in relating well with them”.

The comments of the key informants confirm the importance of education in their entrepreneurial activity. Those without educational qualifications appreciate the fact that education is very important but since they are not educated it is difficult to measure the impact of education on their business success. Similarly those who were educated also believe

that education contributes in managing their business successfully. The success of the business enterprise can be measured through business growth and the ability of the entrepreneurs to survive competition from other entrepreneurs. The performance and success of micro and small business can be attributed to the human capital endowment of the individual entrepreneur. Therefore, if the success of the business is dependent on the owner's educational attainments, then people with higher educational qualification will manage their business better than those with lower qualification and those without education.

Education can positively influence entrepreneurial entry through managerial ability (Le, 1999). It is expected that education enhances people's managerial prowess and give them the necessary confidence for entrepreneurial selection. But on the contrary, many previous studies found that people with higher education are less likely to become entrepreneurs. They prefer to work for a higher pay rather than venturing into risky business activity that may not guarantee regular flow of income.

- Family entrepreneurial background

Many studies show that people whose families are into entrepreneurship are more likely to participate in entrepreneurship than those without family entrepreneurial background. People usually emulate their role model to start up a business. In most cases family members particularly parents become role models for their children (Mathews and Moser, 1995). This is in line with the quantitative result presented in the chapter 5, but the relationship is statistically not significant. This finding has been explored and it was confirmed that family

entrepreneurial background influences individual entrepreneurial career. It is also established that some people became entrepreneurs without necessarily having family with entrepreneurial background. The key informants when asked to state whether they are influenced by their family to start up the business, they responded as follow

A business man whose parents are farmers comments that;

“I learned this kind of business from somebody who is not my relative. My parents are subsistence farmers”

An entrepreneur aged 34 years, who have no family business background commented that;

“All this is my personal effort it has nothing to do with my parent or family”

A man with a self employment family background explained how his father helps him in his business and stated that;

“My father is also self employed, I consider him as my role model. He has been guiding and advising me right from the beginning up to this stage”.

A young man who is running his business and his father is a self employed person said that;

“I learned this business from my father, in fact I see my father as my role model. My father visits my workshop to see what is going on and gives me advice”.

An entrepreneur whose parents are not self employed narrated that;

“I personally thought that the business is good, I have to learn it and start on my own. My parent has nothing to do with this business”.

Most of the recent literature has considered family as the major social institution shaping self employment decision of the individuals (Senders and Nee, 1996). In some studies the influence of family on entrepreneurship choice is examine through the process of inter-

generational transmission especially the role of parental influences (Dunn and Holtz-Eakin 2002; Hout and Rosen, 2000 and Renzulli et al., 2000). Kano state being the centre of commerce is characterized with a high number of family businesses. The trend is similar in some other countries in which family businesses play significant role. It is estimated that in the US and Europe more than 80% of the businesses are owned and operated by the family and about 50% of the Australian businesses are owned by the family (Basu, 2004). In the presence of high number of family business in Kano it may be possible that members of the families are involved in the business as either family unpaid workers or owner managers. They may likely inherit the business from their parents to become a second generation firm. Some of them may be inspired to start up their independent business by emulating their family members who serve as their role models.

Male and female with family entrepreneurial background differ in owning or business start up (Mathew and Moser, 1995). Since the study earlier establishes that women are less likely for entrepreneurship, it may be argued that family entrepreneurial background is less significant for female than the men. Male with family entrepreneurial background appeared to be more interested in starting a business than their female counterpart (Mathew and Moser, 1995). Family entrepreneurial background may be insignificant in influencing some people's entry into entrepreneurial activity. There are other contributory factors to entrepreneurship entry such as personal experience in small business. Those who are working with small business may likely be inspired to form their own business without having family background in entrepreneurial activity.

- Government support

The descriptive data earlier presented in chapter five reveals that many entrepreneurs in Kano state are not benefiting from government support and incentives. The result further indicates a positive but insignificant relation between government support and entrepreneurship. There are various ways through which the government provides support to entrepreneurs. The major role of the government is to create a conducive business atmosphere that would allow entrepreneurs to flourish and function well so as to contribute to the economic development of the country. Some of key respondents described government support to micro and small entrepreneurs as very important but some of them were disenchanted and dissatisfied with the manner in which support is being allocated to prospective and established entrepreneurs in Kano state.

They key informants express their position and expectation for government support as follows.

A businessman aged 32 states that;

“It is important if the government will support the right people, it will go a long way in improving businesses in the country”.

Another entrepreneur aged 39 with higher national diploma also reveals that;

“It is important because it will relieve entrepreneurs from some difficulties they are facing in the cause of running the business”

A businessman aged 34 who has no educational qualifications asserts that;

“The government support is very important in so many ways. There are certain machines that we cannot afford to buy, if government can

purchase those machines and give it to us as a loan I think that will improve our business operations tremendously”.

This information shows that the entrepreneurs appreciate the importance of government support to their business. But the problem is that many entrepreneurs are not directly benefitting from the support or any incentive given by the government. The key informants explain that the government is sometimes making effort to support entrepreneurs but the process is being flawed by the government officials and their allies for some other personal benefits. The key informants reveal their experiences as follows

An entrepreneurs aged 32 and attained secondary education states that;

“Some people always dominate and block other people the opportunity of benefiting from government incentive. The government usually do not have direct link with the rightful beneficiaries”

Another businessman aged 39 also asserts that;

“The actual entrepreneurs are not benefitting, it is only the politicians that get supported who are not even engaged into real business”

A female entrepreneur aged 32 explains that;

“The government doesn’t assist entrepreneurs at the time of need”.

An entrepreneur aged 34 with secondary level education states that;

“The government is not intervening directly to support people in need but they always make it a matter of politics”.

The result indicates that some of the entrepreneurs are basically concern about financial and infrastructural support. They described lack of microfinance and adequate electricity supply

as the major impediments to entrepreneurial activity in the State. Some of the key informants describe the business environment as difficult and the situation is not encouraging. They explain the situation in the state as follows

An entrepreneurs aged 56 laments that

“The environment is very difficult to cope with because of the problem of power supply. I have to spend a lot of money daily to purchase diesel for generators. My business cannot go on without electric supply”.

A young entrepreneur aged 29 also describes the situation that;

“The business is going well but the most challenging problem is that of frequent religious crisis and lack of regular supply of electricity”

Another businessman aged 32 and had secondary education states that;

“The environment to me is challenging. The problem is inadequate power supply and this kind of production requires adequate energy supply and I can’t afford to run my machine with stand by generators”.

For government support to positively and significantly influence entrepreneurship, the government must ensure that only rightful entrepreneurs are benefiting from any scheme or support programme. Giving the challenges for high poverty and unemployment, the government can only do little in creating jobs directly. The government can provide jobs indirectly through encouraging business start up especially among poor and unemployed. The key informants also believe that creating conducive atmosphere is necessary for

entrepreneurship development. They offer some suggestions on how the business environment can be improved as follows

An entrepreneur aged 39 and has higher national diploma suggests that;

“First, the government should improve power supply because that will help in an immeasurable way to promote small businesses in the country. Secondly, the government should create a ministry for small scale business to mobilize and monitor their activities. Thirdly, the government shall provide soft loan at interest free regularly and it should desist from given money free without been repaid by entrepreneurs. Lastly, there is need for full government involvement to ensure that only real entrepreneurs benefited from the support programmes.”

A female entrepreneur aged 32 also suggests that;

“The government should provide necessary infrastructure particularly electric supply and support entrepreneurs financially”.

Another young entrepreneur aged 32 recommends that;

“If the government can increase power supply to small scale businesses it will be good for the economy. A lot people cannot cope with the situation, they have to close their business because high cost of maintaining stand by generator every day”.

6.3 Summary of Findings

Generally, the comments of the key informants reveal the difficulties the entrepreneurs are experiencing in securing fund from the banks and government agencies. The entrepreneurs find difficulties in meeting up with the stringent conditions of the banks. Moreover, most of the key informants indicate their dissatisfaction about the government intervention in the provision of microfinance. There are indication of inefficiency and favourism in processing

fund to the entrepreneurs. This finding explains why majority of entrepreneurs cannot access bank and government fund for their business as earlier shown previously in chapter 5 (Table 5.2). The result also provides evidence of liquidity constraint for entrepreneurship development.

Although, women are found to be less likely in partaking in entrepreneurial activity, it found that the situation is presently changing as many husbands allow their wives to be involved in entrepreneurial activity. It is also discovered that lack of steady electric supply is one of the major problems confronting the operation of the entrepreneurs. The lack of women participation in entrepreneurial activity and lack of necessary infrastructure to support entrepreneurship development also explains why poverty influences entrepreneurship development negatively as found in the previous chapter.

CHAPTER SEVEN

CONCLUSION AND IMPLICATIONS OF THE STUDY

7.1. Introduction

This chapter concerns with drawing conclusion based on the findings and discussions presented previously in chapter five and six. The chapter also explains the implications of the study and a guide for future researchers in this area. The chapter is discussed under the following sub headings; conclusion, theoretical contributions and implications, practical implications, limitations of the study and direction for future research.

7.2. Conclusion

Entrepreneurship has proven to be an important instrument for addressing socio-economic problems such as poverty and unemployment as discussed in the previous studies. It is considered as a vehicle for micro and small businesses and a driving force for economic growth. The interest in conducting this research came as a result of the observed dwindling socio-economic conditions in Nigeria and whether entrepreneurship could be relevant and necessary in addressing these myriad socio-economic problems.

The main objective of this study is to identify and examine factors influencing entrepreneurship development at both individual and aggregate levels in Nigeria. The quantitative results from survey and time series data were presented and discussed in chapter five while qualitative findings from the depth interview were discussed in chapter six to

provide more information and support for the quantitative findings. The study integrates findings at the individual and aggregate levels in order to have holistic information about entrepreneurship in Nigeria.

The study found that the majority of the entrepreneurs are young people within the ages of 19 to 40. Most of them have previous income because they were employed before starting their own business. They have an average income of N412 (\$2.62) per day before starting up their business. This shows that those starting up a business are not absolutely poor. Most of them used their personal savings to start up their business and only 4.4% benefits from bank and government sources of finance. This indicates that the entrepreneurs are facing liquidity constraints. The comments of Key informants show that the entrepreneurs are dissatisfied and discouraged in applying for government and bank loan due to ineffectiveness of the system. It also found that majority of the entrepreneurs are operating without registering their business with government agency.

On the first objective, eight independent variables were examined to determine their influence on entrepreneurship development at the individual level. Seven variables (start-up capital, gender, age, educational attainment, family background, previous income and government support) positively influenced entrepreneurship while unemployment experience has negative influence on entrepreneurship. Among these variables only start-up capital and gender were statistically significant in influencing entrepreneurship at 5% level. In essence any increase in accessibility and availability of start capital will increase the rate of entrepreneurship. Men are

more likely to involve in entrepreneurship relative to their women counterpart. The remaining variables were not statistically significant but they are very important in explaining entrepreneurship. Entrepreneurship is more likely among young people, those with entrepreneurial family background and those that have access to government support. The result also shows that obtaining at least secondary education is vital for entrepreneurial success while access to income will increase the likelihood of entrepreneurship entry.

To answer the second objective, poverty and GDP influence entrepreneurship development negatively which indicate that the existing entrepreneurs are likely to be an opportunity entrepreneurs and this supports Schumpeterian/prosperity effect hypothesis. The negative influence of poverty on entrepreneurship is not anticipated as poverty is expected to increase entrepreneurship in the country. Since most of the Nigerian citizens are consider as poor based on the international poverty threshold of 1.25 US dollar per day, it is expected that they will engage in entrepreneurial activity in order to income and reduce their poverty. It is found that poor people cannot start up business because of the liquidity constraints. They have no personal savings and cannot get money from either the microfinance banks or government for business start up. While unemployment affects entrepreneurship positively which indicate the presence of necessity entrepreneurs and supports push/refugee effect hypothesis. The findings reveal the existence of both opportunity and necessity entrepreneurs in the aggregate level. The result indicates the existence of a long run relationship among entrepreneurship, poverty, unemployment and GDP at the aggregate level. This means that the variables will move together or share a common trend in the long run. In case of any short run adjustment poverty

and economic growth will be the initial receptors and are responsible for bringing back the system to its long run equilibrium.

The negative long run relationship between poverty and entrepreneurship at aggregate level is as a result of the liquidity constraints face by the poor at the individual level. Therefore as poverty is increasing in the country, the rate of necessity entrepreneurs is decreasing. The inconsistent results between individual and aggregate level on the relationship between unemployment and entrepreneurship can be reconciled in the long run. The negative relationship at individual level can become positive with effective government policies toward entrepreneurship.

The short run Granger causality result shows that poverty directly causes entrepreneurship. Unemployment and GDP indirectly cause entrepreneurship through poverty. The result of causality strengthens the evidence of refugee/shop keepers' effect. Poverty became the most interactive variable in the system because most of its forecast error variance is explained by other variables. This means that poverty is largely influenced by other variables, while unemployment became the most exogenous variable because it is insignificantly influenced by the other variables due to its own shock.

In line with the third objective, the qualitative results support the findings from the quantitative analysis. It is established that most of the poor and unemployed cannot access start-up capital from either government or other financial institutions because of the

difficulties involved. The lower participation of women in entrepreneurship in Kano is as a result of the religious and cultural values that define women function in the society. The situation is beginning to change because of the reality of economic conditions and increasing women education.

The study contributes significantly in providing useful information to various stakeholders for effective policy formulation towards entrepreneurship development. It also contributes to entrepreneurship literature in the Nigeria context. The study reveals the presence of both necessity and opportunity entrepreneurship in the country. Necessity entrepreneurship could create job and income in the short run thereby reducing the social problem. These kinds of entrepreneurs are necessitated to start up business because there is no other employment option. They often have feelings of dissatisfaction about their entrepreneurial involvement which usually result in their exit from entrepreneurship as soon as they get alternative paid job. On the other hand opportunity entrepreneurs are innovative who create disequilibrium in the economy. The prevalence of this type of entrepreneurs in a country will result in more innovations, high competition and GDP in both short and long run. Schumpeterian entrepreneurs are opportunity driven, productive and high impact who carry out innovation and contribute towards economic development.

Summarily, it is discovered that not all the variables are significant in influencing entrepreneurship at both individual and aggregate level. The significant variables at the individual level are start-up capital and gender while at aggregate level is poverty and GDP.

In the short run unemployment and GDP indirectly Granger caused entrepreneurship through poverty and poverty directly caused entrepreneurship.

7.3. Theoretical contributions and Implication of the Study

The study came up with some theoretical contributions, first, the Schumpeter's theory of economic development was based on the assumption that entrepreneurs are innovative and they can stimulate GDP. The positive influence of unemployment on entrepreneurship is an indication that necessity based entrepreneurship is increasing at the aggregate level. Entrepreneurship may not necessarily drive and stimulate the desired GDP in a situation where majority of the entrepreneurs are driven by necessity.

Secondly, the unexpected negative relationship between entrepreneurship and poverty at the aggregate level shows that poverty may not necessarily cause people to engage in entrepreneurship because of liquidity constraint as identified at the individual level.

Thirdly, entrepreneurship may not automatically reduce poverty and unemployment as described by Schumpeterian/prosperity effect hypothesis. This is because majority of those starting up business were not unemployed and poor at the individual level. The poor and unemployed are unable to start up business because of the unavailability of start-up capital and government support. The poor and unemployed may probably have innovative ideas but due difficulties in accessing financial resources for start up, their ideas can be frustrated and they may remain poor.

Fourthly, human capital theory reveals that acquisition of general education could enhance individual's entrepreneurial performance but may not necessarily influence entry into entrepreneurship as found at individual level.

The pattern and determinants of entrepreneurship may not necessarily be the same at all levels. Entrepreneurship can manifest in different manner in a country. The existence of both Schumpeterian effect and refugee effect at aggregate level and the presence of Schumpeterian effect at individual level show the nature and dynamism of entrepreneurship. Understanding the nature of entrepreneurship may help in ascertaining the social as well as economic implications of any type of entrepreneurship.

The existence of Schumpeterian effect indicates the prevalence of opportunity entrepreneurs who can create opportunity for paid employment and promote economic growth. But on the other hand the presence of necessity entrepreneurs in poverty stricken society can also be good for the country because they can create immediate income and job security for the majority of the poor. The quality and quantity of entrepreneurial activity depends on which type of entrepreneurship dominates in the country. Quality of entrepreneurship can be associated with the activity of opportunity entrepreneurs because they are more likely to become high impact entrepreneurs. Meanwhile, quantity of entrepreneurship can be related to necessity entrepreneurship in which many people are motivated to start up a business especially in developing economies.

7.4. Practical Implications of the Study

Understanding the factors that influence entrepreneurial activities at different levels could help enormously in formulating appropriate and suitable policy towards entrepreneurship in Nigeria. In any effort to develop entrepreneurship the focus of policy makers should not only be on increasing the number of entrepreneurs in the country, but effort should be made to improve the quality of the entrepreneurial activity so that it can be translated into economic growth and development. Based on the findings and conclusion drawn from this study the following policy recommendations are given:

i. Revisiting government policy on micro, small and medium enterprises

Due to the difficulties the poor and unemployed people are facing in starting up a business, there is need by the government to revisit the existing policy on micro, small and medium enterprises to adequately address the problem of the poor and unemployed in order to avail them with the opportunity to engage in entrepreneurship. This is necessary because of the social and economic implications of living these categories of people without partaking in entrepreneurial activities. The policy should also take in cognizance the importance of registering a business with the government as most of the entrepreneurs do not register their businesses. Thus, they find difficulties in meeting up with the conditions given by the government and other financial institutions in accessing funds. The process of registering a business should be simplified and bring closer to the people so that entrepreneurs can be registered and integrated fully into the economy. The prospective and established entrepreneurs need to be enlightened on the benefits and importance of business registration.

ii, Provision of microfinance for business start up and expansion

Since the poor and unemployed are facing liquidity constraints to start up a business, it is vital to have a friendly and accessible microfinance system for these groups of people. For instance the government should come up with realistic micro and small loan guarantee scheme in which people with business idea or proposal can easily secure finance for start-up. The level of dissatisfaction and discouragement of the entrepreneurs can be reduced if there is an effective management and functional financing institutions. The central bank should make sure that only competent people are appointed to manage the affairs of the microfinance banks. Appointing competent and qualified staff will ensure high professionalism and respect for business as well as banking ethics in dealing with their clients. The government should take the responsibility of enlightening the poor and unemployed in understanding various means of securing fund for business start up. Availing them with the opportunity to start up business will help in reducing both economic as well as social problems in the country.

iii, Encouraging and supporting women and youth participation in entrepreneurial activity

Since women are less likely to engage in entrepreneurship, the government should facilitate greater level of women's participation in entrepreneurial activity. The government should engage in enlightenment campaign to encourage women to participate in entrepreneurial activity without any prejudice to their culture and religious practice. They should be supported through provision of sufficient training and empowering them in different business or profession of their choice. Women should be the target clients of microfinance institutions because financing women entrepreneurial activities proved to be successful in some countries

such as Bangladesh, India and Indonesia. The fortunes of the household can be improved if the women are empowered economically. They can support their children education and improve the general standard of living of the family.

Since most of those owning and starting up a business are young people effort should be made to support them and also encourage older people especially those that put many years working for paid employment and who wish to turn into entrepreneurs after retirement. The government should create or reinvigorate the existing department on entrepreneurial development to be solely responsible for counseling and training of both adult and youth on any line of business of their choice. The government should also facilitate the process of sourcing funds for business start-up and provide constant follow up to ensure effective management of the business.

iv, Provision of training centers for entrepreneurship skills acquisition

Although the study focuses on general education of the entrepreneurs, it proves that it is very important to entrepreneurial success. The government and various stakeholders in education sector have to develop an enterprise specific knowledge not necessary within the frontier of conventional business schools. There is need for training centers for specific skill acquisitions and various training programs that will avail opportunity to the prospective, nascent and already established entrepreneurs on areas of need and up-date of necessary business skills.

v, Boosting electricity generation and supplies

Majority of entrepreneurs find difficulties in sustaining their business due to lack of electricity supply. Therefore the government should place high priority in boosting electricity generation and supply so as to reduce the cost of operation and make the business environment more competitive, conducive and friendly for entrepreneurial activity.

7.5. Limitations of the study

At the individual level the survey covers some selected micro and small businesses that are operating in Kano state irrespective of whether they are registered with the government agency or not. The ideal samples for the survey ought to be selected across various parts of Nigeria to have representative sample that would allow generalization of the findings. But it is not possible due to constraint of resources such as inadequate research fund, time and other factors. The findings of this survey is limited to Kano, it cannot be generalized to the entire country because of heterogeneity and differences in norms, values and other environmental factors that influence entrepreneurial activities across various regions in Nigeria.

Meanwhile at the aggregate level time series analysis focuses on examining the influence of some selected macroeconomic variables on entrepreneurship development in Nigeria which covers the period of 31 years. Initially the researcher intends to collect data on these variables for a longer period in order to have adequate long run information, but there was no data prior to 1980s from the official sources for some of the variables.

Measuring entrepreneurship at the aggregate level is a difficult task and complex. Using new business creation as a proxy may not always be appropriate because sometimes it is not easy to distinguish between legal and illegal business activity. Total number of micro and small businesses registered (as business name) annually was used without filtering or removing the number of those businesses that ceased to exist. There is no official record of those registered businesses that stopped operating as micro or small business over the years. The study is also limited to businesses that are registered with CAC. Many businesses were not included in the study because they did not register with the government agency as such their number will not be reflected in the list of new business created in the country.

7.6. Direction for Future Research

This study is limited in scope but provides sufficient evidence of the factors that influence entrepreneurship. Because of the diversity and heterogeneity of Nigeria, future research should consider a survey that will draw sample from every part of the country in order have adequate information on entrepreneurship and allow generalization of findings.

In future, researchers undertaking similar study should endeavor to mitigate the effect of frequent entry and exit from entrepreneurship. Effort should be made to filter and consider those with genuine business in order to correctly predict the effect of entrepreneurship to the economy. There is need for a study in a region where women plays insignificant role in order to determine the challenges facing them and attempt should be made to figure out regional difference for women entrepreneurial involvement.

The rate of new business creation varies according to sectors and industries from year to year. There is need to look at individual sector on how entrepreneurship is affected rather than taking analysis on the whole sectors of the economy. Adequate information and deep understanding of some demographic variables in relation to entrepreneurship at individual level is required so as to provide explanation on the ambiguous relationship. It is also important for future studies to measure the effect of specific enterprise knowledge on entrepreneurship rather than considering the affect of general education of the entrepreneur. This will help in understanding the effect of specific entrepreneurship knowledge on business start up or entrepreneurship entry.

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APPENDIX I
Population of Nigeria by State and Sex, 1991 and 2006

State	1991			2006		
	Male	Female	Total	Male	Female	Total
Abia	1,125,999	1,212,488	2,338,487	1,430,298	1,415,082	2,845,380
Adamawa	1,050,791	1,051,262	2,102,053	1,607,270	1,571,680	3,178,950
Akwa Ibom	1,167,829	1,241,784	2,409,613	1,983,202	1,918,849	3,902,051
Anambra	1,374,671	1,421,804	2,796,475	2,117,984	2,059,844	4,177,828
Bauchi	2,192,423	2,158,584	4,351,007	2,369,266	2,283,800	4,653,066
Bayelsa	-	-	-	874,083	830,432	1,704,515
Benue	1,368,965	1,384,112	2,753,077	2,144,043	2,109,598	4,253,641
Borno	1,296,111	1,239,892	2,536,003	2,163,358	2,007,746	4,171,104
Cross River	956,136	955,161	1,911,297	1,471,967	1,421,021	2,892,988
Delta	1,271,932	1,318,559	2,590,491	2,069,309	2,043,136	4,112,445
Ebonyi	-	-	-	1,064,156	1,112,791	2,176,947
Edo	1,085,156	1,086,849	2,172,005	1,633,946	1,599,420	3,233,366
Ekiti	-	-	-	1,215,487	1,183,470	2,398,957
Enugu	1,475,648	1,678,732	3,154,380	1,596,042	1,671,795	3,267,837
Gombe	-	-	-	1,244,228	1,120,812	2,365,040
Imo	1,166,448	1,319,187	2,485,635	1,976,471	1,951,092	3,927,563
Jigawa	1,455,780	1,419,745	2,875,525	2,198,076	2,162,926	4,361,002
Kaduna	2,041,141	1,894,477	3,935,618	3,090,438	3,023,065	6,113,503
Kano	2,958,736	2,851,734	5,810,470	4,947,952	4,453,336	9,401,288
Katsina	1,860,658	1,892,475	3,753,133	2,948,279	2,853,305	5,801,584
Kebbi	1,035,723	1,032,767	2,068,490	1,631,629	1,624,912	3,256,541
Kogi	1,039,484	1,108,272	2,147,756	1,672,903	1,641,140	3,314,043
Kwara	773,182	775,230	1,548,412	1,193,783	1,171,570	2,365,353
Lagos	3,010,604	2,714,512	5,725,116	4,719,125	4,394,480	9,113,605
Nassarawa	-	-	-	943,801	925,576	1,869,377
Niger	1,252,466	1,169,115	2,421,581	2,004,350	1,950,422	3,954,772
Ogun	1,147,746	1,185,980	2,333,726	1,864,907	1,886,233	3,751,140
Ondo	1,881,884	1,903,454	3,785,338	1,745,057	1,715,820	3,460,877
Osun	1,043,126	1,115,017	2,158,143	1,734,149	1,682,810	3,416,959
Oyo	1,711,428	1,741,292	3,452,720	2,802,432	2,778,462	5,580,894
Plateau	1,657,209	1,655,203	3,312,412	1,598,998	1,607,533	3,206,531
Rivers	2,239,558	2,069,999	4,309,557	2,673,026	2,525,690	5,198,716
Sokoto	2,208,874	2,261,302	4,470,176	1,863,713	1,838,963	3,702,676
Taraba	759,872	752,291	1,512,163	1,171,931	1,122,869	2,294,800
Yobe	714,729	684,958	1,399,687	1,205,034	1,116,305	2,321,339
Zamfara	-	-	-	1,641,623	1,637,250	3,278,873
FCT, Abuja	205,299	166,375	371,674	733,172	673,067	1,406,239
Total	44,529,608	44,462,612	88,992,220	71,345,488	69,086,302	140,431,790

Source: National Population Commission Note: 1. The 1991 population figures for Bayelsa, Ebonyi, Ekiti, Gombe, Nassarawa and Zamfara are included in the States from which they were carved out.

APPENDIX II



Survey Questionnaire

Respondent Serial No..... Date.....

I am a Postgraduate Student at Universiti Malaysia Sarawak undertaking a research titled **Entrepreneurship Develoment in Nigeria: Individual and Aggregate level analysis on Micro and Small Enterprises**. The objective of this research among others is to examine how some factors at individual level influence enterprenuerial development. This survey is use to collect data which will be analyzed for academic purpose only. All information provided is entirely for the purpose of academic research work and will be kept **confidential**. Your full cooperation to fill in this questionnaire as accurately as possible would be much appreciated. Please read the questions carefully before providing answers. Your cooperation is greatly appreciated. Thank you.

PART A: Personal data (Please tick any appropriate option from the items given below)

i) **Gender :** 1) Male ☐ 2) Female ☐

ii) **Marital status:** 1) Single ☐ 2) Married ☐

iii) **Age:** _____

iv) **Highest Educational attainment:**

- 1) Primary/ first school leaving certificate ☐
- 2) Secondary/ high school certificate ☐
- 3) Diploma/NCE ☐
- 4) HND/ First degree and higher degree ☐
- 5) No schooling ☐

v) **What is your Motive for Starting this Business rather than being an employee?**

- 1) To be independent ☐
- 2) To be my own boss ☐
- 3) To earn income ☐
- 4) To become wealthy ☐
- 5) To increase my income level ☐
- 6) To provide job for my self ☐
- 7) Others(specify _____) ☐

PART B: Business Information

i) **Select from the options below the type of business or sub sector in which your business belong.**

- 1) Wood processing and furniture ☐
- 2) Textile, tailoring and clothing ☐
- 3) Basic metal work and fabrication ☐
- 4) Electrical and electronics ☐
- 5) Building and constructions ☐
- 6) Hair dressing and saloon ☐
- 7) Food and drinks processing ☐
- 8) Hotel and restaurant ☐
- 9) Entertainment ☐

- 10) Leather work and production ☐
- 11) Polythene and Plastic work ☐
- 12) Business Centre and information technology ☐
- 13) Transportation ☐
- 14) Trading ☐
- 15) Others (specify)_____

ii) **For how long have you been operating the business?**
 _____ years

iii) **Official Status of the business**

- 0) Not registered ☐
- 1) Registered ☐

iv) **Business employment Status**

- 1) Working with employees ☐
- 2) Working alone ☐
- 3) Working with family unpaid workers ☐
- 4) Working with apprentice/ trainees ☐

v) **If you are not working alone state the number of people working under your employment**_____

vi) **State the amount (approximation) that represents the current asset value of your business/company (excluding land and building) N**_____

PART C: Family entrepreneurial Background

Before starting the business what was your parent's position

- 1) Self employed ☐
 - 2) Salary/wage earners ☐
 - 3) Unemployed ☐
 - 4) Retiree ☐
 - 5) Others (specify)_____
-

PART D: Entrepreneurial Finance/ capital

i) Select the amount (approximate) secured from external sources (e.g Bank, Government) to Finance your business(if any) N_____

ii) State the amount that represents your initial capital (approximate) that enable you to start up the Business. N_____.

iii) Select from below the main source of your initial Capital

- 1) Bank loan ☐
- 2) Government ☐
- 3) Personal Savings ☐
- 4) Family and friends ☐
- 5) Other sources (specify) _____

PART E: Business ownership (Current Capital employed by the entrepreneur)

State the current capital employed in the business N_____

PART F: Unemployment and employment experience

i) Were you Unemployed within 5 years before starting the business?

- 0) No ☐
- 1) Yes ☐

ii) If you were unemployed before starting the business indicate the duration or length of your Unemployment experience _____

iii) Did you work anywhere before starting this business?

- 0) No ☐
- 1) Yes ☐

iv) If yes above, for how long were you employed or worked before?

PART G: Previous Income/earning

i) **Before starting this business did you have any source of income?**

0) No ☐

1) Yes ☐

ii) **If you have any income before starting this business, please state the amount below that represent your earning per month** _____

PART G: Government support /incentives

Please tick **YES** if you have benefited from any government support or tick **NO** if you have not benefited from the list of items given below.

	Business support & Infrastructural facilities	Yes	No
	Support Items		
1	Managerial and technical training		
2	Extension and Advisory support services		
3	Tax relief or tax cancellation		
4	Legal assistance and counseling		
5	Supply of power or electricity		
6	Regular water supply		
7	Access to road network		
8	Information and communication facilities		
9	Business premises or land		
10	Any other subsidy		

Thank you for taking time to fill in this questionnaire

APPENDIX III

INTERVIEW GUIDELINES

1) Motivation to start up

- How did you start this business?
- Why do you choose to start your own business rather than being working for salary?
- What motivate you most to start up this business?

2) Startup capital or finance

- How did you raise capital to start up this business?
- Did you consider other options in raising capital?
- How is it difficult for small business entrepreneurs to raise capital?

3) Unemployment experience

- How would you describe your unemployment experience if any on your decision to start this business?
- Why is it difficult for unemployed people to start up their own business?
- Did you consider abandoning this business if you get better offer for employment?

4) Family background

- How would you describe the influence of your family background in your decision to start this business?

5) Educational attainment

- How would you describe the role of your educational attainment with respect to your business success?

6) Gender

- Why did you set up this business despite your family and domestic responsibilities?
- Why women are not starting up business like their men counterpart?

7) Government support to entrepreneurs

- How would you describe the financial support given by government to micro and small entrepreneurs?
- Why did you consider government support to micro and small entrepreneurs as important?
- How can you describe the problems face by the entrepreneurs in accessing government support?

7) General business environment

- How would you describe the present business environment as it affects micro and small entrepreneurs?
- What suggestions can you give to improve the business environment?

APPENDIX IV

Tests of Normality

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	Df	Sig.
Age	.120	500	.000	.950	500	.000
Educational attainment	.351	500	.000	.773	500	.000
Previous income	.333	500	.000	.593	500	.000
Duration of Unemployment	.313	500	.000	.717	500	.000
Start up capital	.378	500	.000	.320	500	.000
Entrepreneurship	.106	500	.200	.974	500	.683

a. Lilliefors Significance Correction

Note: The result above indicates that the continuous independent variables (scale) are statistically significant while dependent variable (entrepreneurship) is not significant using both Kolmogorov-Smirnov and Shapiro-Wilk methods. In determining whether the variables follow normal distribution the hypotheses were set as follows;

Null H_0 : Normality

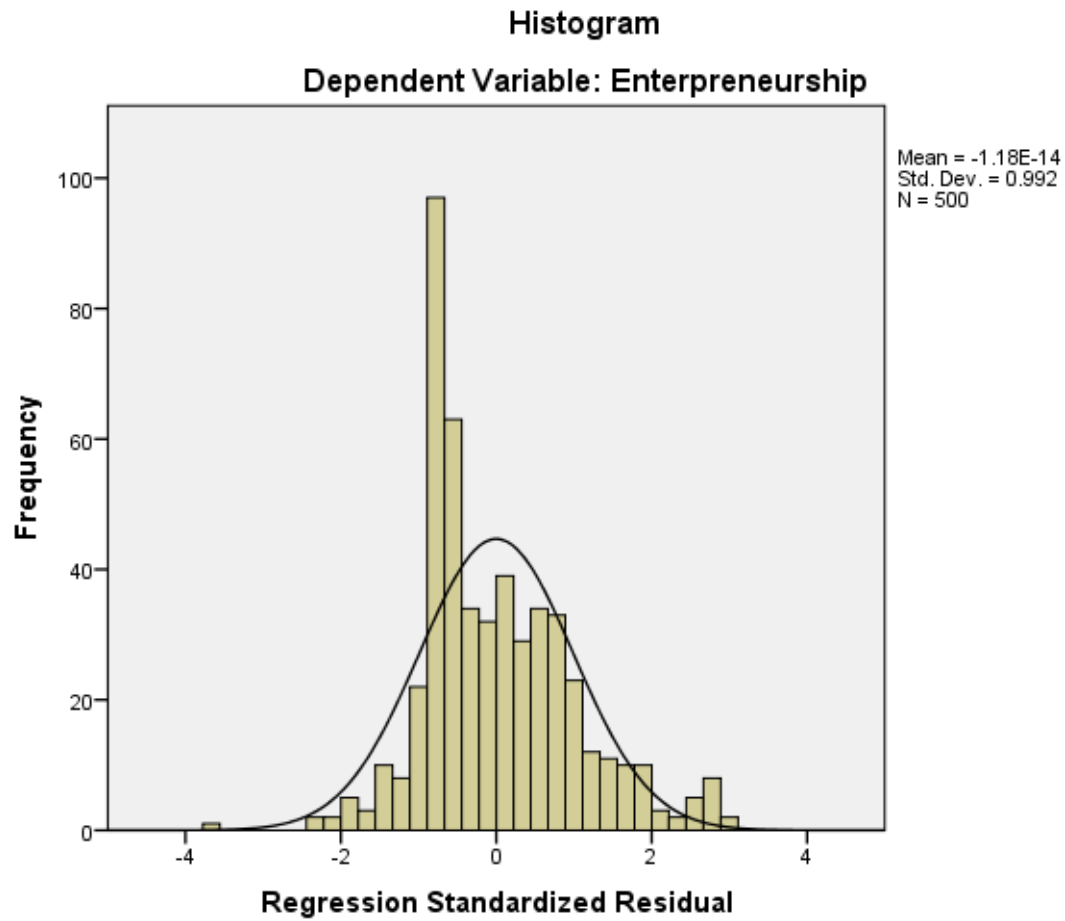
Alternate H_1 : Normality is violated

Therefore if the results are statistically significant at 0.01% level, the null hypotheses can be rejected to accept the alternate hypotheses that normality is violated or otherwise.

APPENDIX V

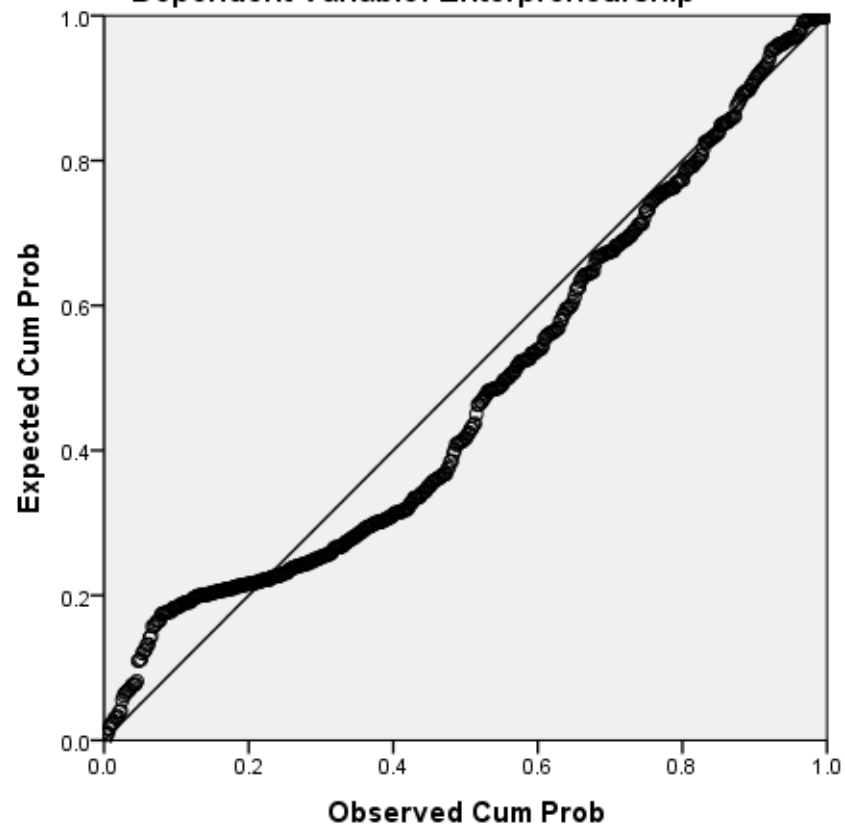
Histogram and Normal PP Plot for Regression Standardized Residual:

Histogram for Normal Distribution



Normal P-P Plot of Regression Standardized Residual

Dependent Variable: Entrepreneurship



APPENDIX VI

Interview Transcript

Key informant No 1

Demographic Information

Gender: Male

Age: 32 years

Marital status: Married

Educational Level: Secondary school

1) Motivation to start up

a) How did you start this business?

“I was actually introduced into this business by my senior brother, I learnt from him right from my childhood. I worked for him before starting my own business”

b) Why do you choose to start your own business rather than being working for salary?

“Working to have enough for a living is a matter of obtaining higher educational qualification and I am not highly educated, therefore whatever I will get from working may not be adequate for me to survive”

c) What motivate you most to start up this business?

“I want to be self reliant and I cherished the way my brother is living, therefore I want to be like him”

2) Start up capital or finance

a) How did you raise capital to start up this business?

“When I was working with my brother I was opportune to get big contract somewhere in which I realized a huge profit. I therefore use the money to start up this business because previously. My client actually deposited substantial amount for me to execute the contract”

b) Did you consider other options in raising capital?

“Yes, I thought of going to bank and to my friends to get additional capital but didn't try any of these options. I was skeptical about risk involved in my business because I am dealing with fragile products. I am afraid of what would happen in the event of any accident. I don't want any problem with other people”.

c) How is it difficult for small business entrepreneurs to raise capital?

“It is difficult to get money especially from the government because it is a matter of whom you know in the government, if you didn't have any top government functionary or politician you can't get the money”

3) Unemployment experience

a) How would you describe your unemployment experience if any on your decision to start this business?

“I have started working with my brother at my early childhood, I therefore I had never experience any unemployment”

b) Did you consider abandoning this business if you get better offer for employment?
"I was offered job by a big company in the same line of business but I refused to accept the offer because I prefer to work on my own"

4) Family background

a) How would you describe the influence of your family background in your decision to start this business?

"No my parent has nothing to do with my business but brother help me a lot to teach me the work"

5) Educational attainment

a) How would you describe the role of your educational attainment with respect to your business?

"I am not well educated, because I only attended secondary school but the knowledge acquired helps me in communicating with my customers and in dealing with bank transactions"

6) Government support to entrepreneurs

a) How would you describe the financial support given by government to micro and small entrepreneurs?

"The government is doing nothing to support us, it is not easy nowadays to get any financial assistance"

b) Why did you consider government support to micro and small entrepreneurs as important?

"It is important if the government will support the right people, it will go a long way in improving businesses in the country".

c) How can you describe the problems face by the entrepreneurs in accessing government support?

"Some people always dominate and block other people the opportunity of benefiting from government incentive. The government usually do not have direct link with the rightful beneficiaries"

7) General business environment

a) How would you describe the present business environment as it affects micro and small entrepreneurs?

"The environment to me is good as my business is prospering well. I always have some work to do that will fetch money to me, so I thank God"

b) What suggestions can you give to improve the business environment?

"The government should endeavour to provide financial support to micro entrepreneurs and ensure that only actual entrepreneurs get access to the money or whatever the government decided to do"

Key informant No 2

Demographic Information

Gender: Male

Age: 43

Marital status: Married

Educational Level: No schooling

1) Motivation to start up

a) How did you start this business?

"I worked under somebody where I acquired all the skills and then later I thought of having my own workshop"

b) Why do you choose to start your own business rather than being working for salary?

"I want to be on my own because working with one man business is very dangerous, he may decide to fire you as his children grow up or if there is any problem between us"

c) What motivate you most to start up this business?

"I want to be on my own, it safer for me to concentrate in developing my own business".

2) Start up capital or finance

a) How did you raise capital to start up this business?

"I mobilized my personal saving to start doing something"

b) Did you consider other options in raising capital?

"I didn't consider the option of sourcing capital from bank at all. I am using what I have because I am from poor background, I don't think I will get money anywhere"

c) How is it difficult for small business entrepreneurs to raise capital?

"I didn't try any other source, so I don't know of the difficulty involved in it"

3) Unemployment experience

a) How would you describe your unemployment experience if any on your decision to start this business?

"I have never stayed without employment"

b) Did you consider abandoning this business if you get better offer for employment?

"I am contented with my present position, I don't think I will work under somebody again no matter the salary"

4) Family background

a) How would you describe the influence of your family background in your decision to start this business?

"I learned this king business from somebody else, who is not my relative. My parents are subsistence farmers"

5) Educational attainment

a) How would you describe the role of your educational attainment with respect to your business?

"I have no educational qualification but I use my experience to manage the business successfully"

6) Government support to entrepreneurs

a) How would you describe the financial support given by government to micro and small entrepreneurs?

"Financial support is good but it all depends on the conditions attached to it. To me it is sometime risky considering the nature of my job".

b) Why did you consider government support to micro and small entrepreneurs as important?

"It is generally good to people who would particularly use it appropriately".

c) How can you describe the problems face by the entrepreneurs in accessing government support?

7) General business environment

a) How would you describe the present business environment as it affects micro and small entrepreneurs?

"It is a matter of you and how you see it as individual. I believe in God, whenever I come out if get something or not I thank God. So to me things are going well"

b) What suggestions can you give to improve the business environment?

“I will encourage the government to support entrepreneurs with finance and make more efforts to provide power supply. It will improve the situation so much, and many businesses will spring up”

Key informant No 3

Demographic Information

Gender: Male

Age: 39

Marital status: Married

Educational Level: HND

1) Motivation to start up

a) How did you start this business?

“It was my personal initiative after completing Diploma programme, I thought there is need for me to have something doing. Therefore my brother encouraged to me found a business centre in which he provides the finance. I have started with only two computers but now you can see how it is expanded”.

b) Why do you choose to start your own business rather than being working for salary?

“Then it was difficult to get a paid job and I need to be self reliant”

c) What motivate you most to start up this business?

“I want to become self reliant and enjoy operating my own business”.

2) Start up capital or finance

a) How did you raise capital to start up this business?

“It was my brother that gave all the money to start up”

b) Did you consider other options in raising capital?

“I thought of going to bank to get a loan, in fact many banks approaches me with a view to give me a loan but I had to decline their offers. Because I don't have confidence in banking system, there is high interest rate and above all is the problem of high maintenance cost of standby generator discourages me to collect any money from banks”

c) How is it difficult for small business entrepreneurs to raise capital?

“It all depend on the nature of your business, the bank may like to give loan if the business is flourishing and viable”

3) Unemployment experience

a) How would you describe your unemployment experience if any on your decision to start this business?

“I have never face any period of unemployment”

b) Did you consider abandoning this business if you get better offer for employment?

“No, I will not work for salary because I prefer to be self reliant and more importantly I have my own time and plan”

4) Family background

a) How would you describe the influence of your family background in your decision to start this business?

“It is purely my own affairs, my parents were civil servants”

5) Educational attainment

a) How would you describe the role of your educational attainment with respect to your business?

“Education helps me a lot in managing the business successfully. I find the knowledge acquired during my HND very useful to improve the business especially with regard to profitability issue”.

6) Government support to entrepreneurs

a) How would you describe the financial support given by government to micro and small entrepreneurs?

“There is problem in that area, I was personally contacted by government on how they can assist me with some money but nothing comes out up till today. The officials promised to give me the sum of five million naira (US\$31,847) interest free but all the effort proves abortive”

b) Why did you consider government support to micro and small entrepreneurs as important?

“It is important because it will relieve entrepreneurs from some difficulties they are facing in the cause of running the business”

c) How can you describe the problems face by the entrepreneurs in accessing government support?

“The actual entrepreneurs are not benefitting, it is only the politicians that get supported who are not even engaged into real business”

7) General business environment

a) How would you describe the present business environment as it affects micro and small entrepreneurs?

“The problem of power supply is seriously affecting my business, I am really suffering in running a standby generator. It is highly expensive to buy diesel every day for the generator to be working, all my profit is going there”.

b) What suggestions can you give to improve the business environment?

“Firstly, the government should improve power supply because that will help in an immeasurable way promote small businesses in the country. Secondly, the government should create a ministry for small scale business to mobilize and monitor their activities. Thirdly, the government shall provide soft loan at interest free regularly and it should desist from given money free without been repaid by entrepreneurs. Lastly, there is need for full government involvement to ensure that only real entrepreneurs benefited from the support programmes.”

Key informant No 4

Demographic Information

Gender: Female

Age: 32

Marital status: Married

Educational Level: Diploma

1) Motivation to start up

a) How did you start this business?

"I initial thought of many ideas but I later felt that there will be a market for water especially clean and package one, it is a good opportunity for me to explore around my locality"

b) Why do you choose to start your own business rather than being working for salary?

"The economic situation in the country is not favourable to so many people. Therefore I decided to think of doing something rather than waiting for the government or someone else to provide job for me".

c) What motivate you most to start up this business?

"I want to be on my own and to provide opportunity for other people"

2) Start up capital or finance

a) How did you raise capital to start up this business?

"I saved some money personally and I got some money from my friends and family members to start with"

b) Did you consider other options in raising capital?

"I thought of sourcing money from banks but getting loan from bank is not easy especially for new business like my own. You may not get the loan even if you applied because you don't have collateral required by the bank"

c) How is it difficult for small business entrepreneurs to raise capital?

"Sometime getting finance from external source is not easy especially from individuals. When you solicit for financial assistance or loan the people tend to make unfulfilling pledges, they will disappoint you because you cannot get the money. Despite this problem I struggle hard to source money to sustain the business to the present stage".

3) Unemployment experience

a) How would you describe your unemployment experience if any on your decision to start this business?

"Yes, before starting this business I looked for a job but it is not easy to get one. In fact I was motivated to be on my own looking at the situation in the country where unemployment is very high".

b) Did you consider abandoning this business if you get better offer for employment?

"I have never thought of abandoning my business. I have to work hard to develop this business to become big. Working for a paid employment is not for a people like me, it is better for me to continue with what I am doing".

4) Family background

a) How would you describe the influence of your family background in your decision to start this business?

“All this is my personal effort it has nothing to do with my parent or family”

5) Educational attainment

a) How would you describe the role of your educational attainment with respect to your business?

“Without education I wouldn’t have achieved this success, so education help in managing my business”

6) Government support to entrepreneurs

a) How would you describe the financial support given by government to micro and small entrepreneurs?

“The financial assistance is good because it will help in boosting businesses in the country, but there is problem in the way the government give financial assistance”.

b) Why did you consider government support to micro and small entrepreneurs as important?

“It is the responsibility of the government to assist people in the society especially those that are contributing to the economy. The government is not like bank or individual it will help people without thinking of benefitting directly from them”. Any assistance giving to entrepreneurs will translate into economic development of the society.

c) How can you describe the problems face by the entrepreneurs in accessing government support?

“The government don’t assist entrepreneur at the time of need”.

7) General business environment

a) How would you describe the present business environment as it affects micro and small entrepreneurs?

“Although the business environment is highly competitive we have to struggle hard to survive. For me there is no problem as I have something doing every day”

b) What suggestions can you give to improve the business environment?

“The government should provide necessary infrastructure particularly electric supply and support entrepreneurs financially”.

Key informant No 5

Demographic Information

Gender: Male

Age: 34

Marital status: Married

Educational Level: Secondary school

1) Motivation to start up

a) How did you start this business?

“I have been in this business right from my childhood, it is our family business we inherent from our father”.

b) Why do you choose to start your own business rather than being working for salary?

“I want to be a business man like my father”.

c) What motivate you most to start up this business?

“I want to become wealthy because my father has a company, so I need also to become somebody in life also”

2) Start up capital or finance

a) How did you raise capital to start up this business?

“My father finance the business, he bought all the machine and tools for me”

b) Did you consider other options in raising capital?

“I have never thought of any option because now I am going to school”

c) How is it difficult for small business entrepreneurs to raise capital?

N/A

3) Unemployment experience

a) How would you describe your unemployment experience if any on your decision to start this business?

“I have been working since with my father’s company, there is no time I stayed unemployed”

b) Did you consider abandoning this business if you get better offer for employment?

“I can’t abandon this business. I went to school because of future challenges I don’t know what I will be tomorrow”

4) Family background

a) How would you describe the influence of your family background in your decision to start this business?

“I learned this business from my father, in fact I see my father as my role model. My father use to visit my workshop to see what is going on and give me advice”.

5) Educational attainment

a) How would you describe the role of your educational attainment with respect to your business?

“Education helps me a lot to develop my skills and communicate with my business clients”

6) Government support to entrepreneurs

a) How would you describe the financial support given by government to micro and small entrepreneurs?

"I have never received any assistance from the govt since I started and I need it. The financial support is good because those without money cannot do business even if the opportunity is there. I am particularly not satisfied with the way government provide assistance to people".

b) Why did you consider government support to micro and small entrepreneurs as important?

"I will help people to have capital to do business particularly those from poor background".

c) How can you describe the problems face by the entrepreneurs in accessing government support?

"The government is not intervening directly to support people in need but they always make it a matter of politics".

7) General business environment

a) How would you describe the present business environment as it affects micro and small entrepreneurs?

"This state is a commercial centre in the country so every day people are building houses and other structure, therefore we must to work. To me the environment is good"

b) What suggestions can you give to improve the business environment?

"The government should support businesses financially like in the other developed countries where small business prosper".

Key informant No 6

Demographic Information

Gender: Male

Age: 54

Marital status: Married

Educational Level: Secondary school

1) Motivation to start up

a) How did you start this business?

"I previously worked with Aluminium Company where I gained the skills and experiences to start this business".

b) Why do you choose to start your own business rather than being working for salary?

"I have all the necessary competence in this line of business and have a lot of peoples' confidence, therefore I want to work as self employed".

c) What motivate you most to start up this business?

"I prefer to be self employed than to continue working for others".

2) Start up capital or finance

a) How did you raise capital to start up this business?

"While I was working with the company I saved some money to start the business".

b) Did you consider other options in raising capital?

"I have never looked for money elsewhere because whenever I have a contract I asked for mobilization fee which can be used to buy materials".

c) How is it difficult for small business entrepreneurs to raise capital?

"The conditions in the bank are too stringent which many people cannot meet and it hinders people like me going to the bank for a loan".

3) Unemployment experience

a) How would you describe your unemployment experience if any on your decision to start this business?

"I have been working since I finished basic schooling"

b) Did you consider abandoning this business if you get better offer for employment?

"I enjoy working on my own now. I worked before for somebody I knew the difficulties involved, it is better for me to continue on my own".

4) Family background

a) How would you describe the influence of your family background in your decision to start this business?

"My father is not doing this kind of business, it depends on my personal initiatives"

5) Educational attainment

a) How would you describe the role of your educational attainment with respect to your business?

"I was educated to secondary level but I can now see the importance of it in discharging my business transactions"

6) Government support to entrepreneurs

a) How would you describe the financial support given by government to micro and small entrepreneurs?

"The government is not assisting us financially but we pay our taxes regularly".

b) Why did you consider government support to micro and small entrepreneurs as important?

"The government can assist in many ways it will help business to grow though provision of capital, land and machineries".

c) How can you describe the problems face by the entrepreneurs in accessing government support?

"It is not easy always because there are many people doing business, it is only those that are privileged that will get the money"

7) General business environment

a) How would you describe the present business environment as it affects micro and small entrepreneurs?

"If you know what you are doing you will surely get customers. There are many business like ours but I always have some work doing"

b) What suggestions can you give to improve the business environment?

"The government apart from providing financial support to us, it needs to provide a business premises for us in order to work without problem. This kind of business needs space but the government keep disturbing us that we occupied the space in front our workshop which is near the main road".

Key informant No 7

Demographic Information

Gender: Male

Age: 56

Marital status: Married

Educational Level: no schooling

1) Motivation to start up

a) How did you start this business?

"I learnt this business since 1976. I spent 3 years as an apprentice, thereafter worked for my master for 1 year. My parent paid some token amount of money then as apprenticeship fee for me".

b) Why do you choose to start your own business rather than being working for salary?

"I didn't look for any job because I want to be on my own"

c) What motivate you most to start up this business?

"I just want to be on own my own because I know the job".

2) Start up capital or finance

a) How did you raise capital to start up this business?

"I have started saving some money immediately after my apprenticeship. I used the money to buy some tools in piecemeal in order to start on my own".

b) Did you consider other options in raising capital?

"I was confronted with some financial problems in the past which forced me to think of going to the bank. But my hope was dashed as the banks were requesting collateral before they could give me some money. But I thank God because my nature of business requires capital to purchase material and my suppliers come to my aid whenever I have a big contract".

c) How is it difficult for small business entrepreneurs to raise capital?

"It is very difficult because the conditions given by the banks and sometime people do not want to stand for you as guarantors because of the risk involved"

3) Unemployment experience

a) How would you describe your unemployment experience if any on your decision to start this business?

“After my apprenticeship I immediately started working and since then I have been in this business”

b) Did you consider abandoning this business if you get better offer for employment?

“I had made tremendous progress in business, I employed other people working under me, where else am I going. After all how much will somebody pay me? I have trained and given freedom to about six people, they are now on their own”.

4) Family background

a) How would you describe the influence of your family background in your decision to start this business?

“My parents are not doing business, I showed interest in this area and they sponsored my training”.

5) Educational attainment

a) How would you describe the role of your educational attainment with respect to your business?

“Although I am not educated there is nothing like education. I believe if I am educated my business would have surpass the present state. In fact lack of education limits my progress”.

6) Government support to entrepreneurs

a) How would you describe the financial support given by government to micro and small entrepreneurs?

“I had never benefited from any financial support but if government can do it is something good”.

b) Why did you consider government support to micro and small entrepreneurs as important?

“It is important especially in this circumstance where there is erratic electric supply. People can use the money to buy good stand by generators for continues production”.

c) How can you describe the problems face by the entrepreneurs in accessing government support?

“I have never tried it, in fact government owed me some money. I worked for the government but up to now my money is not release”

7) General business environment

a) How would you describe the present business environment as it affects micro and small entrepreneurs?

“The environment is very difficult to cope with because of the problem of power supply. I have to spend a lot of money daily to purchase diesel for generators. My business cannot go on without electric supply”.

b) What suggestions can you give to improve the business environment?

“The government as a matter of urgency should provide regular supply of electricity. There is need also from government to come to the aid of especially unemployed youth who want to learn or acquire certain skills by providing them with upkeep training allowances”

Key informant No 8

Demographic Information

Gender: Male

Age: 29

Marital status: Single

Educational Level: Diploma

1) Motivation to start up

a) How did you start this business?

“When I had a problem with my former business I decided to learn this kind of work. I had abandoned the business to start learning welding and fabrication from the scratch”.

b) Why do you choose to start your own business rather than being working for salary?

“I prefer to manage my own business rather than working with somebody”.

c) What motivate you most to start up this business?

“I have started the business in order to solve some of my personal problems”.

2) Start up capital or finance

a) How did you raise capital to start up this business?

“When I finished my apprenticeship I worked with somebody where I saved some money to start my own”.

b) Did you consider other options in raising capital?

“I have never requested any amount from whatever source. I am just managing what I realised from the business”.

c) How is it difficult for small business entrepreneurs to raise capital?

“I had never bothered myself about sourcing money from outside. I normally asked for mobilization fee with which to carry out the project or contract”.

3) Unemployment experience

a) How would you describe your unemployment experience if any on your decision to start this business?

“I had stayed without employment in past but that is not what motivated me to start this business”.

b) Did you consider abandoning this business if you get better offer for employment?

“I can't leave this business, I prefer to stay on my own”.

4) Family background

a) How would you describe the influence of your family background in your decision to start this business?

"I personally thought that the business is good, I have to learn it and start on my own. My parent has nothing to do with this business".

5) Educational attainment

a) How would you describe the role of your educational attainment with respect to your business?

"I have really see the importance of education in my business, it help me in some calculations and in communication with some customers".

6) Government support to entrepreneurs

a) How would you describe the financial support given by government to micro and small entrepreneurs?

"It is good if the government will give any financial support but I am not sure whether they are given now".

b) Why did you consider government support to micro and small entrepreneurs as important?

"It is important because through government support the entrepreneurs can get machine for their production that they cannot personally afford to buy".

c) How can you describe the problems face by the entrepreneurs in accessing government support?

"The government is not doing the right thing. The manner in which the government support entrepreneurs is not in order".

7) General business environment

a) How would you describe the present business environment as it affects micro and small entrepreneurs?

"The business is going well but the most challenging problem is that of frequent religious crisis and lack of regular supply of electricity"

b) What suggestions can you give to improve the business environment?

"The government should endeavour to provide security of lives and properties and to ensure regular supply of electricity".

Key informant No 9

Demographic Information

Gender: Male

Age: 34

Marital status: Married

Educational Level: No schooling

1) Motivation to start up

a) How did you start this business?

"I have started developing my skills right from childhood because I have serious interest in carpentry, with time people around my neighbourhood started giving me some petty job which help me a lot to learn and improve on

the work. I later hired by somebody to work for him for some years thereafter I decided to open my own workshop”.

b) Why do you choose to start your own business rather than being working for salary?

“There is exploitation and frustration in working under somebody I suffered seriously because he doesn’t pay me regularly. That is why I even started thinking of my business because I already learnt the work”.

c) What motivate you most to start up this business?

“To be on my own is better because I know the job very well”.

2) Start up capital or finance

a) How did you raise capital to start up this business?

“It was not easy for me to raise capital to start this business. I had to buy the necessary tools and material in piecemeal before starting on my own”.

b) Did you consider other options in raising capital?

“I had considered going to the bank, but that effort fails because the bank asked me to make deposit for 6 months before they could consider my application for loan. I was discouraged because if I could save money for that period I think that is enough for me to continue with the business”.

c) How is it difficult for small business entrepreneurs to raise capital?

“The conditions in the bank are too strict for micro business”

3) Unemployment experience

a) How would you describe your unemployment experience if any on your decision to start this business?

“I have started this work at my early years, since then I am working”.

b) Did you consider abandoning this business if you get better offer for employment?

“To be honest with you I can’t leave this business to work for salary”.

4) Family background

a) How would you describe the influence of your family background in your decision to start this business?

“I am the only person in my family that is involved in this business. There is no any relation of my business with my family background”.

5) Educational attainment

a) How would you describe the role of your educational attainment with respect to your business?

“Although I was dropped out from school I have seen the importance of education in my business. The knowledge I had helps me in communicating with other people that do not speak my native language”.

6) Government support to entrepreneurs

a) How would you describe the financial support given by government to micro and small entrepreneurs?

"I didn't receive any financial assistance from the government since I have started".

b) Why did you consider government support to micro and small entrepreneurs as important?

"The government support is very important in so many ways. There are certain machines that we cannot afford to buy, if government can purchase those machines and give it to us as a loan I think that will improve our business tremendously".

c) How can you describe the problems face by the entrepreneurs in accessing government support?

"The problem is that the government is not looking for right people to support. Before you get anything from the government nowadays you have to know some politician or you have to be one of them".

7) General business environment

a) How would you describe the present business environment as it affects micro and small entrepreneurs?

"I have to thank God because many people from other states come to patronise my business. I have no any serious problem right now, the business is going well".

b) What suggestions can you give to improve the business environment?

"The government should by way of protecting us stop people from the importation of foreign furniture. It should protect us in whatever way and improve the quality and quantity of our production".

Key informant No 10

Demographic Information

Gender: Male

Age: 31

Marital status: Single

Educational Level: HND

1) Motivation to start up

a) How did you start this business?

"I took me some time to learn the business from somebody. I subsequently worked in some other workshops before starting my own".

b) Why do you choose to start your own business rather than being working for salary?

"I was not happy with the pay I received from my boss. I was highly committed to the job but at the end of the day he gives me peanut".

c) What motivate you most to start up this business?

I felt cheated because what I was receiving is not commensurate with the work I was doing, so I need freedom.

2) Start up capital or finance

a) How did you raise capital to start up this business?

"I worked in some places before I could save some money to start the business".

b) Did you consider other options in raising capital?

"I am not too confident that bank will give me money so I didn't try at all and my family are poor that is why I cannot go to them to either seek assistance or borrow some money".

c) How is it difficult for small business entrepreneurs to raise capital?

"The banks are particularly not easy to deal with because I have no collateral and virtually nothing to give to bank to secure a loan".

3) Unemployment experience

a) How would you describe your unemployment experience if any on your decision to start this business?

NA

b) Did you consider abandoning this business if you get better offer for employment?

"I will not leave this business for any paid employment because they can't pay me what I am earning from my business".

4) Family background

a) How would you describe the influence of your family background in your decision to start this business?

"Nobody within my family tell me to start this business, it is solely my interest to be in this kind of business".

5) Educational attainment

a) How would you describe the role of your educational attainment with respect to your business?

"You can learn the job very well but with education you can perform better. My education helps me in so many ways to record this achievement".

6) Government support to entrepreneurs

a) How would you describe the financial support given by government to micro and small entrepreneurs?

"I don't know if the government is supporting people financially. I am not even thinking of that because I am not an indigene of this place".

b) Why did you consider government support to micro and small entrepreneurs as important?

"Little effort from the government to support me financially can help me to improve my business".

c) How can you describe the problems face by the entrepreneurs in accessing government support?

"The problem is that sometime you may not know what is happening and in not easy for people who are not local to access some of these privileges".

7) General business environment

a) How would you describe the present business environment as it affects micro and small entrepreneurs?

“The business is going well but what is disturbing is the frequent religious crisis that happens”.

b) What suggestions can you give to improve the business environment?

“The government should try to provide regular supply of power and identify those that already acquire certain skills but have no money to start with”.

Key informant No 11

Demographic Information

Gender: Male

Age: 29

Marital status: Married

Educational Level: Primary school

1) Motivation to start up

a) How did you start this business?

“I have started based on the perceived opportunity in the environment. Before now this kind of business was mainly for the big companies but with introduction of small machines people realizes that they can use it to produce cooking oil. So I also felt that this business has the potential of bringing money”.

b) Why do you choose to start your own business rather than being working for salary?

“To be independent and become somebody in life”

c) What motivate you most to start up this business?

“To have income flows in order to fight poverty”.

2) Start up capital or finance

a) How did you raise capital to start up this business?

“My family members gave me financial contributions in order to start this business”.

b) Did you consider other options in raising capital?

“Yes, I thought of many options but our association help us a lot in this regard. Usually any assistance from the government comes through the association. I don't have much problem because the association is doing well in contacting government for collective benefit”.

c) How is it difficult for small business entrepreneurs to raise capital?

“It is difficult if you are dealing alone but to me it is easier to get money through our association”.

3) Unemployment experience

a) How would you describe your unemployment experience if any on your decision to start this business?

“I have been in this business for over 16years as such I had never experienced any unemployment”

b) Did you consider abandoning this business if you get better offer for employment?

"Yes I can leave this business if the reward is substantial or better than what I am realizing now".

4) Family background

a) How would you describe the influence of your family background in your decision to start this business?

"My father is also self employed, I consider him as my role model. He has been guiding and advising me right from the beginning up to this stage".

5) Educational attainment

a) How would you describe the role of your educational attainment with respect to your business?

"In this kind of business you must to deal with different people and bank, therefore my basic knowledge help me a lot to communicate and transact business".

6) Government support to entrepreneurs

a) How would you describe the financial support given by government to micro and small entrepreneurs?

"The major problem is that usually assistance from the government takes longer time before you benefit, sometime you tend to lost hope in the process"

b) Why did you consider government support to micro and small entrepreneurs as important?

"Any support will help in boosting our business, because of the small nature of our business sometime little support can improve our business position".

c) How can you describe the problems face by the entrepreneurs in accessing government support?

" I may not have any problem if the government will give any financially assistance, it will come down to me through our association".

7) General business environment

a) How would you describe the present business environment as it affects micro and small entrepreneurs?

"Usually if business has a market that is seasonal sometime it affects the business negatively and things usually get tough. But at anytime the situation is all depend on individual on how to cope with the situation".

b) What suggestions can you give to improve the business environment?

"I can only suggest that small entrepreneurs should endeavour to form association and work with it for collective benefit. I believe it is difficult to get anything from the government but it would be easier when you have strong association".

Key informant No 12

Demographic Information

Gender: Female

Age: 47

Marital status: Married
Educational Level: Degree

1) Motivation to start up

a) How did you start this business?

"I worked before with River Basin Development Authority, I was affected by the retrenchment exercise. Since that time I have no job to do and I have my children who are not working. Therefore I have to think of what to do to take care of my family"

b) Why do you choose to start your own business rather than being working for salary?

"Since I could not find any job to do, I have to provide job for myself. That is why I have started this business"

c) What motivate you most to start up this business?

"I have to provide job for myself in order to take care of my family needs"

2) Start up capital or finance

a) How did you raise capital to start up this business?

"I had to borrow money from one micro finance bank to start with"

b) Did you consider other options in raising capital?

"I thought of my friends and other people but I later resorted to bank to get money at certain interest rate"

c) How is it difficult for small business entrepreneurs to raise capital?

"It is always not easy to get money from other outside sources especially banks because they will require collateral or financial guarantor in case of eventualities. It is easy only if you have collateral or people that are willing to stand for you as guarantors".

3) Unemployment experience

a) How would you describe your unemployment experience if any on your decision to start this business?

"I was unemployed for some time and without that problem I won't be here doing this business"

b) Did you consider abandoning this business if you get better offer for employment?

"It is not easy to manage this business, if I would be employed today I will definitely close this business. It is better for me to work for salary"

4) Family background

a) How would you describe the influence of your family background in your decision to start this business?

"My parent were not self-employed, I personally thought of doing something in order to survive"

5) Educational attainment

a) How would you describe the role of your educational attainment with respect to your business?

“Without education how would I know what to do? It helps me greatly in terms of decision making and communication”.

6) Government support to entrepreneurs

a) How would you describe the financial support given by government to micro and small entrepreneurs?

“The government support is meant for people who are well connected those that knows people in the government. It is good if any financial assistance will go directly to the actual people who are in need”

b) Why did you consider government support to micro and small entrepreneurs as important?

“It would help particularly the disadvantaged who are in need of capital to improve their business”

c) How can you describe the problems face by the entrepreneurs in accessing government support?

“The people entrusted by the government are the problem because they are not doing the right thing. They are not helping the government in implementing good policies, they only service their selfish interest”.

7) General business environment

a) How would you describe the present business environment as it affects micro and small entrepreneurs?

“The environment is conducive for us because here we have a concentration of people in the same line of business. So we help ourselves through usual cooperation in order to confront some challenges facing our business”

b) What suggestions can you give to improve the business environment?

“There is need for the government to involve field workers who will go down to the actual entrepreneurs that are in need of help. They should have close contact with them and recommend ways of assisting them to improve their businesses”.

Key informant No 13

Demographic Information

Gender: Male

Age: 32

Marital status: Married

Educational Level: Secondary school

1) Motivation to start up

a) How did you start this business?

“Immediately after my high school, I worked with a company that produces polythene bags for 7 years. I got my inspiration there that one day I will have a company of this nature”.

b) Why do you choose to start your own business rather than being working for salary?

“I wanted to have my own company so that I can also employ other people to work for me”.

c) What motivate you most to start up this business?

"I wanted to actualize my dream of having my own company"

2) Start up capital or finance

a) How did you raise capital to start up this business?

"I had to save money while working in the company because I already have an intention of starting something small".

b) Did you consider other options in raising capital?

"I thought of getting money from other sources but I realized that I can't get it easily. Banks cannot give me money because I had neither collaterals nor person to stand as my guarantors".

c) How is it difficult for small business entrepreneurs to raise capital?

"It is difficult because if you have nobody to support you or become your surety. My parents for instance are poor and I have no collaterals to secure bank loan. What is important to us is the relationships with other people especially our customer, before making any production they use to deposit money that is adequate for me buy materials for production".

3) Unemployment experience

a) How would you describe your unemployment experience if any on your decision to start this business?

"I stayed for several years without been employed. I was really motivated to start thinking of what to do to earn a living".

b) Did you consider abandoning this business if you get better offer for employment?

"Nobody will convince me to abandon this business for a salary. In fact I can't work for another person in my life again".

4) Family background

a) How would you describe the influence of your family background in your decision to start this business?

"Yes I consider my parent as my role model, they were self employed. They used to offer advice to me on becoming on my own".

5) Educational attainment

a) How would you describe the role of your educational attainment with respect to your business?

"Education really helps me in life because I worked with different kind of people in the past. And now that I have my own company it helps me in managing relation with other and the success of the business".

6) Government support to entrepreneurs

a) How would you describe the financial support given by government to micro and small entrepreneurs?

"I wish to be one the beneficiaries of financial support, it is a good thing. At one time I implore my business colleagues around this vicinity to come together in order to form association so that we can confront the government for any sort of financial assistance but the effort fails".

b) Why did you consider government support to micro and small entrepreneurs as important?

"It will help people to acquire necessary machines in order to boost their productive capacity"

c) How can you describe the problems face by the entrepreneurs in accessing government support?

"As an individual it will be much difficult to get any support from the government unless you have some people who would help you in the government. That is why is better to form associations to pursue it collectively"

7) General business environment

a) How would you describe the present business environment as it affects micro and small entrepreneurs?

"The environment to me is business friendly. The most challenging problem is power supply, this kind of production requires adequate energy supply and I can't afford to run my machine with stand by generators".

b) What suggestions can you give to improve the business environment?

"If the government can increase power supply to small scale businesses it will be good for the economy. A lot people cannot cope with the situation, they have to close their business because high cost of maintaining stand by generator every day".

Key informant No 14

Demographic Information

Gender: Male

Age: 37

Marital status: Married

Educational Level: Degree

1) Motivation to start up

a) How did you start this business?

"I worked with a research company for over 20years before leaving to start my own business. The money I received as my gratuity is not adequate for to start something big but fortunately my friend introduces me to this business and consequently I used my money to buy over ongoing business".

b) Why do you choose to start your own business rather than being working for salary?

"I honestly lost interest in my former job, it is highly frustrating and I have no time for myself and my family. I am afraid that my future is not certain in company, the management can fire me at any time and I have to start from somewhere again".

c) What motivate you most to start up this business?

"I just want to be on my own, it is safer for me to develop my own business"

2) Start up capital or finance

a) How did you raise capital to start up this business?

“After my resignation the company had to pay me some money as gratuity. I used that money to purchase an ongoing business from someone”

b) Did you consider other options in raising capital?

“After buying the business I have thought of getting more money to promote the business but because of the situation in the country my hope was dashed. If you are not rich or have wealth to do background, it will be difficult for you to get anything from bank or any financing institution”.

c) How difficult is it for small business entrepreneurs to raise capital?

“It is very difficult for people without collateral or those without financial guarantors to secure loan. You know it is not easy for somebody who is not your friend or family member to stand for you because people don't want to take risk”.

3) Unemployment experience

a) How would you describe your unemployment experience if any on your decision to start this business?

“I have been working since when I finished secondary school. I have started thinking of what to do immediately after I had resigned from my previous work”

b) Did you consider abandoning this business if you get better offer for employment?

“Honestly I can accept good offer for employment but I cannot close this business, I will rather find someone to manage the business”.

4) Family background

a) How would you describe the influence of your family background in your decision to start this business?

“My parent has nothing to do with this business because they have passed away for a very long time. I have no body to take care of me that was why I cannot further my education and I had to start working very earlier in my life”.

5) Educational attainment

a) How would you describe the role of your educational attainment with respect to your business?

“Education to me is very important, it help me especially in maintaining good relation with customers and managing my employees”.

6) Government support to entrepreneurs

a) How would you describe the financial support given by government to micro and small entrepreneurs?

“The government functionaries are not honest in performing their function, they only bring their family and friends to benefit from the scheme at detriment of actual entrepreneurs. The government financial assistance is not reaching those who are in real business”.

b) Why did you consider government support to micro and small entrepreneurs as important?

“It will be of good help to small business owners because they can use the money to promote their business. They can as well employ more people in their business, which will generally reduce the level of social unrest, unemployment and poverty in the country”.

c) How can you describe the problems face by the entrepreneurs in accessing government support?

“The system is not going well because the poor and the disadvantaged are not benefitting at all. The government official used to favour their friends and associates”.

7) General business environment

a) How would you describe the present business environment as it affects micro and small entrepreneurs?

“The environment in which we do business is very tough, I have to buy water of over N2000 daily because my business cannot go without water. I don't have money to drill bore hole, I am renting the place so what can I do”.

b) What suggestions can you give to improve the business environment?

“There is need for the government to provide regular supply of water for both business and domestic use. It should further strengthen its effort by going directly to entrepreneurs who are in need for possible assistance”.

Key informant No 15

Demographic Information

Gender: Male

Age: 28

Marital status: Single

Educational Level: Diploma

1) Motivation to start up

a) How did you start this business?

“I realized that there were few people doing this kind of business in this area and the demand for these services that time was very high. Therefore I decided in view of the opportunities to start this business of decorations and rental services”.

b) Why do you choose to start your own business rather than being working for salary?

“Even before starting this business I have been doing another business, I had never work for salary in my life”

c) What motivate you most to start up this business?

“I joined this business in order to have another source of income”.

2) Start up capital or finance

a) How did you raise capital to start up this business?

"I have to divert some money from my earlier established business and my personal savings to start up this business".

b) Did you consider other options in raising capital?

"I thought of securing additional money from my friends and relatives but I could not succeed in getting the money. It is not easy sometime to get money from some people".

c) How is it difficult for small business entrepreneurs to raise capital?

"Sometime people feel reluctant to assist you with money especially if your business is new, they may feel that their money is not safe".

3) Unemployment experience

a) How would you describe your unemployment experience if any on your decision to start this business?

"I have been self employed in my life, I had never stayed without doing something that will get some money from".

b) Did you consider abandoning this business if you get better offer for employment?

"It will be difficult for me to leave this business for a paid employment because I don't have higher educational qualifications that will give me the advantage of getting adequate income".

4) Family background

a) How would you describe the influence of your family background in your decision to start this business?

"My father was also self-employed, I was trained and brought up under him. He usually guide and advice me on what to do about my business".

5) Educational attainment

a) How would you describe the role of your educational attainment with respect to your business?

"You have to deal with many people in the cause of doing business, so my education helps me a lot in relating well with them".

6) Government support to entrepreneurs

a) How would you describe the financial support given by government to micro and small entrepreneurs?

"There is need for the government to support especially small business like ours, but as at now the government is not providing the much needed assistance to us".

b) Why did you consider government support to micro and small entrepreneurs as important?

“If the government would support small businesses it will help in improving their business and creating more opportunities for employment and wealth generation”.

c) How can you describe the problems face by the entrepreneurs in accessing government support?

“The government support very few people who are close to them. Nobody is sure of getting any assistance without having connection with government officials or politicians”.

7) General business environment

a) How would you describe the present business environment as it affects micro and small entrepreneurs?

“The environment is highly competitive and I can say to some extent that the market is over saturated. We are surviving on a very small margin, because the cost of materials is increasing but the prices of our services remain the same”.

b) What suggestions can you give to improve the business environment?

“The problem actually is that of increased transportation cost due to shortage of diesel for vehicles. If the government should ensure adequate supply of diesel to marketers, the suffering of both suppliers and we the final users will be less”.

Key informant No 16

Demographic Information

Gender: Male

Age: 25

Marital status: Single

Educational Level: Diploma

1) Motivation to start up

a) How did you start this business?

“I became interesting in the business sometimes ago, I used to pass through a site where this kind work has been operated. Then later I decided to contact the owner on whether he will allow me to come and learn the work, the man accepted my request and I have to start immediately”.

b) Why do you choose to start your own business rather than being working for salary?

“I want to be own my so that I will continue with my education, if I work under someone I may probably have no time or chance”.

c) What motivate you most to start up this business?

“I want to get source of income in order to develop and empower myself”.

2) Start up capital or finance

a) How did you raise capital to start up this business?

“I worked in the factory where I saved some money to start this business. I usually worked in the company in the morning and I do my personal work in the evening before finally resolving to concentrate on my own business”.

b) Did you consider other options in raising capital?

"I am always thinking on how to expand the business and where to get more capital but I am yet to decide on what to do".

c) How is it difficult for small business entrepreneurs to raise capital?

"I haven't try any means so I can say anything to that".

3) Unemployment experience

a) How would you describe your unemployment experience if any on your decision to start this business?

"I have been working with the company and I have started this business even before I left the company"

b) Did you consider abandoning this business if you get better offer for employment?

"I will never leave this business for paid employment because I need freedom and time for myself".

4) Family background

a) How would you describe the influence of your family background in your decision to start this business?

"My father worked for someone before, it is only my brother who is into business. I personally decided to start this business and I am responsible of all the decisions".

5) Educational attainment

a) How would you describe the role of your educational attainment with respect to your business?

"This business involves measuring and mixture of chemicals, if you are not educated you may find it difficult or it will take longer time before understanding and mastering the work. Therefore, Education helps me in understanding and doing the right thing".

6) Government support to entrepreneurs

a) How would you describe the financial support given by government to micro and small entrepreneurs?

"I don't know what is happening about government financial assistance or support, I have never looked for anything like that. In fact I don't want any loan from either the government or any Institution because of the risk involves".

b) Why did you consider government support to micro and small entrepreneurs as important?

"Government support will encourage small entrepreneurs to promote their business. The government can assist people in so many ways which will be beneficial to micro and small businesses".

c) How can you describe the problems face by the entrepreneurs in accessing government support?

“The micro business owners usually may not have direct connection with government or its institutions that provides whatever assistance”.

7) General business environment

a) How would you describe the present business environment as it affects micro and small entrepreneurs?

“The environment to me is conducive because our production does not depend on power or water supply. This kind of business is dependent on the sun light and our market is not seasonal, most the challenges faced by other people are not very common to our business”.

b) What suggestions can you give to improve the business environment?

“The government can support people like us with additional capital so that we can expand our business and employ more people in order to address the problem of unemployment”.

Key informant No 17

Demographic Information

Gender: Male

Age: 39

Marital status: Married

Educational Level: HND

1) Motivation to start up

a) How did you start this business?

“This is our family business because most of my family members are into furniture making. I was trained and worked in my father’s workshop before starting this business”.

b) Why do you choose to start your own business rather than being working for salary?

“I worked with the family business for several years, but I was not collecting salary at that time. Whenever there was a profit, it has to be shared among my brothers, which is better than collecting a salary. What I am getting now monthly I don’t think I will get it if I am working for salary”.

c) What motivate you most to start up this business?

“I want to promote myself and to be independent”.

2) Start up capital or finance

a) How did you raise capital to start up this business?

“I have used my personal savings and my brothers assist me with some money to start”.

b) Did you consider other options in raising capital?

“As the business grows I sometime made a request of additional capital to my business but he could not give the money. I am now using the mobilization money given to me in order to execute any work or contract”.

c) How is it difficult for small business entrepreneurs to raise capital?

“It all depends on individual, if people or any institutions have confidence in what you are doing it become much easier for you to get capital”.

3) Unemployment experience

a) How would you describe your unemployment experience if any on your decision to start this business?

“I have been working in my father’s workshop since when I was very young. I always have something doing up till today”

b) Did you consider abandoning this business if you get better offer for employment?

“I don’t think I will accept any paid employment because what I am earning today is substantial and organisation will pay me up to that amount”.

4) Family background

a) How would you describe the influence of your family background in your decision to start this business?

“I actually follow my family type of business, they help me a lot right from learning stage up to this level”.

5) Educational attainment

a) How would you describe the role of your educational attainment with respect to your business?

“I find education very useful to me because I am dealing with wide range of customer, some cannot speak my language but I have use English as medium of communication. It help me in coming up with good design of products”.

6) Government support to entrepreneurs

a) How would you describe the financial support given by government to micro and small entrepreneurs?

“What the government is doing right now to support entrepreneurs is not adequate. In fact government official and politicians have not been fair in giving assistance to those who deserve, they only select their people who might not be an entrepreneurs the financial support”.

b) Why did you consider government support to micro and small entrepreneurs as important?

“Government support of whatever kind would be good especially to small business. There are large number of people that have ideas and necessary skills but lack the requisite capital to expand or start up their own business”.

c) How can you describe the problems face by the entrepreneurs in accessing government support?

“There is problem of favouritism and corruptions, business people can only be assisted if the know somebody or give some money to those entrusted with disbursement of any assistance”.

7) General business environment

a) How would you describe the present business environment as it affects micro and small entrepreneurs?

“The most challenge we are facing is that of dishonest among our workers. The work need some level of freedom to those working with you but some of them use to take advantage to do something that is detrimental to you the owner of the business. But general business environment is conducive, I always have a work to execute”.

b) What suggestions can you give to improve the business environment?

“The government should make sure that there is direct contact with the entrepreneurs. The government should identify honest people and bestow the responsibility to them, so that the right people can benefit. The government support should be base on what you intend to do or what you are doing right now, therefore there is need for careful scrutiny”.

Key informant No 18

Demographic Information

Gender: Male

Age: 27

Marital status: Single

Educational Level: Secondary school

1) Motivation to start up

a) How did you start this business?

“I learnt from someone whom I worked with for the period of at least six years before starting my own business”

b) Why do you choose to start your own business rather than being working for salary?

“I was not comfortable with the way the business was going on. It is one man family business and I am not member of the family, there is no prospect for me if I decided to continue working for him”.

c) What motivate you most to start up this business?

“I want to be independent, to be on my own”.

2) Start up capital or finance

a) How did you raise capital to start up this business?

“Initially I was assisted by my brother with some money and had to also use my personal savings as a start up capital”.

b) Did you consider other options in raising capital?

“As the business grows I was able to convince one of my suppliers to give materials on credit so that after making sales I pay him back, that is how I am running the business successfully”

c) How is it difficult for small business entrepreneurs to raise capital?

“It is not easy for small business owners to get money because people usually have a fear of losing there money”

3) Unemployment experience

a) How would you describe your unemployment experience if any on your decision to start this business?

“Before joining this business I was a shoe maker, In fact I always have something doing. I have never leaved without doing something that generates income to me”.

b) Did you consider abandoning this business if you get better offer for employment?

“It will be difficult for me to think of working for monthly pay. I don’t think working for paid employment will give what I am earning now from my business”.

4) Family background

a) How would you describe the influence of your family background in your decision to start this business?

“No, my family have no any connection with what I am doing now”

5) Educational attainment

a) How would you describe the role of your educational attainment with respect to your business?

“Education is very helpful to me, it me particularly in communicating to my customers. Most of my customers came from other part of the country”

6) Government support to entrepreneurs

a) How would you describe the financial support given by government to micro and small entrepreneurs?

“I can say the Government is not helping entrepreneurs in any way. The assistance given by the government is more of politics than actual support to business people”

b) Why did you consider government support to micro and small entrepreneurs as important?

“The government support to small entrepreneurs will be a welcome idea especially financial assistance. Entrepreneurs will use the money to boost their capital and improved the entire business”

c) How can you describe the problems face by the entrepreneurs in accessing government support?

“In some cases getting any assistance from the government may be difficult especially entrepreneurs that do not have strong association. The government in most cases deals with strong business or trade association when it comes to support or giving some financial assistance”.

7) General business environment

a) How would you describe the present business environment as it affects micro and small entrepreneurs?

“There is less competition in market because we are very few doing this kind of business. At present we are not facing much challenge”.

b) What suggestions can you give to improve the business environment?

“The government needs to identify people with particular skills and competencies so that can be supported with either money or tool and machinery to be able deliver”.

Key informant No 19**Demographic Information**

Gender: Male

Age: 32

Marital status: Married

Educational Level: Primary school

1) Motivation to start up

a) How did you start this business?

"I actually attended a professional school to learn this business. I later worked with someone before gaining freedom to start my own business".

b) Why do you choose to start your own business rather than being working for salary?

"The interest of my former boss was only to train people on this kind of business. When he understood that I knew what I was doing he asked me on whether I can be given freedom to stay on my own or to continue working with him. I therefore resolved that I wanted to start my own".

c) What motivate you most to start up this business?

"I want to be on my own so that I can also become someone in life"

2) Start up capital or finance

a) How did you raise capital to start up this business?

"My boss paid the first rent for me and gave some money for initial take up of the business. In most cases he supplies materials to me on credit for continued operations"

b) Did you consider other options in raising capital?

"I only need money for the purchase of materials and I have people who regularly supply me with what I need, so I have never thought of going any other place to source for money"

c) How is it difficult for small business entrepreneurs to raise capital?

N/A

3) Unemployment experience

a) How would you describe your unemployment experience if any on your decision to start this business?

"Before joining this business I engaged into so many activities to earn some money in order keep myself. I was engaged in trading, block making employment, truck pusher etc. So I had never experienced unemployment in my life".

b) Did you consider abandoning this business if you get better offer for employment?

“It not possible for me to work for paid employment because my business had already grown big and most of my children are working with me to sustain themselves. By implication closing this business will render people working under me jobless. I am also proud to employ others to work under me”

4) Family background

a) How would you describe the influence of your family background in your decision to start this business?

“My parent had no connection with what I am doing now, they were farmers”

5) Educational attainment

a) How would you describe the role of your educational attainment with respect to your business?

“I was educated up to primary level, I can read and write. It helps me on how to do calculations and to know exactly what is happening in the business”.

6) Government support to entrepreneurs

a) How would you describe the financial support given by government to micro and small entrepreneurs?

“Personally I have never benefited from any government assistance but I knew that the government does support businesses. If people can utilizes the money given to them judiciously it will assist in great deal”

b) Why did you consider government support to micro and small entrepreneurs as important?

“The government support is very important, it use to train people on so many professional businesses so that they can stay on their own. If people can be honest and make good use of the training and skill they have acquired, it will go a long way in reducing poverty and unemployment in the society”.

c) How can you describe the problems face by the entrepreneurs in accessing government support?

“The problem is that the right people are not been supported by the government. Those in charge are usually giving the assistance or any support not based on merit but on personal relation or connection”

7) General business environment

a) How would you describe the present business environment as it affects micro and small entrepreneurs?

“The market is sometime challenging because our products are seasonal. Therefore I have to strive a lot to keep thing going in off season, I have to pay staff their wages even though the market is not going well, we still have to pay tax and so on”

b) What suggestions can you give to improve the business environment?

“The government should give priority to small entrepreneurs because of the challenges they are facing, it should come up with some incentives and reduces tax for them”.

Key informant No 20

Demographic Information

Gender: Male

Age: 48

Marital status: Married

Educational Level: Master

1) Motivation to start up

a) How did you start this business?

"I previously worked with a printing and publishing company. In fact I consider printing work as my profession because I was practicing printing work since before starting this business, I got the inspiration of becoming self employed while practicing the business".

b) Why do you choose to start your own business rather than being working for salary?

"I want to be on my own because there are so many advantages, I can open and close at any time, I have no fear of been feared by my employer. Since I have no job I need do something to sustain my family.

c) What motivate you most to start up this business?

"I want to have income to sustain my family needs"

2) Start up capital or finance

a) How did you raise capital to start up this business?

"This kind of business require small amount of capital to start with. I used my personal money that I got from another job to start up this business".

b) Did you consider other options in raising capital?

"I applied to our association and I was able to get N35, 000 as loan which I repaid after some time. I also borrowed some money from agricultural cooperative society in order to boost my capital".

c) How is it difficult for small business entrepreneurs to raise capital?

"It is difficult especially when you applied to formal financial institutions like Banks because of the tough conditions attached to issuing loans. For instance the Bank may require you to present certificate of registration which many business like mine do not have. Secondly they may ask you to have a guarantor before getting the loan and in most instances people disoblged to this kind of request because of fear of risk. All these constitute a stumbling block to entrepreneurs in getting money".

3) Unemployment experience

a) How would you describe your unemployment experience if any on your decision to start this business?

"I have worked for about 25 year before I was retrenched. I became unemployed which affects me and my children studies severely. I was motivated to start up this business in order to have another job and income to sustain my family basic needs".

b) Did you consider abandoning this business if you get better offer for employment?

"To be honest with you I can't leave this business for monthly pay, because in this business I can get five times of what I may be paid monthly if I am to accept any employment. If I decided to close this business because of salary, the money I will be receiving may not be adequate for me hence I will be losing some income".

4) Family background

a) How would you describe the influence of your family background in your decision to start this business?

“My Family members are not in business, most of them are working. Although they wanted to be involved but I didn't allow them because possible crisis. I am the only one involved into self employment.”

5) Educational attainment

a) How would you describe the role of your educational attainment with respect to your business?

“Education is very important to my life. Although I gained expertise and experiences through constant practicing but I found education to be very crucial to the success of my business”.

6) Government support to entrepreneurs

a) How would you describe the financial support given by government to micro and small entrepreneurs?

“I have never benefited personally from the government financial assistance but the government does support people with some money. I have never applied for such assistance so I can't blame the government for not reaching me”.

b) Why did you consider government support to micro and small entrepreneurs as important?

“Government support of whatever kind is good to business people. The government use to provide certain training to entrepreneurs and help them with either capital or machines and tools in order to be self employed and contribute in reducing unemployment and poverty level”.

c) How can you describe the problems face by the entrepreneurs in accessing government support?

“The manner in which the government provides support to entrepreneurs is not transparent. The support is not given on merit but on the basis of favouritism ‘whom you know’. This kind of attitude discourages people from applying and in most cases the right people are not benefiting”.

7) General business environment

a) How would you describe the present business environment as it affects micro and small entrepreneurs?

“First, I can say the environment is very peaceful and secured for businesses to operate unlike the other areas. Secondly I used some of personal contact to get customers here, I am using my personal networks to get job from various people in this location”.

b) What suggestions can you give to improve the business environment?

“There is need for small businesses to have association at their local level for beneficial business relationship. Voluntary savings should be encouraged among people in the same line of business because it will help them in getting loan from banks and Govt. Institutions. Microfinance institution should go closer to small entrepreneurs and assist them with valuable advice in managing their business successfully”.

Key informant No 21**Demographic Information**

Gender: Woman

Age: 42

Marital status: Married

Educational Level: Diploma

i) Gender

a) Why did you set up this business despite your family and domestic responsibilities?

“The situation in the country has changed, as a woman I cannot wait for my husband as before to provide for the family alone. I have to also do something to support my family”.

b) Why women are not starting up business like their men counterpart?

“In most cases women are not the head of the household, they do not see it as responsibility to provide for the family. Women generally are reluctant to join business especially if the husband has a sufficient income to take care of the entire family”.

a) How do you think women entrepreneurship can be boosted?

“The women should realize the fact that they can also be a good entrepreneur and can help in improving their family financial position”.

ii) Unemployment

a) Why is it difficult for unemployed people to start up their own business?

“The condition in the country is very harsh for the people. So if are unemployed it is difficult for you to borrow or mobilize resource to start a new business”.

b) How do you think the unemployed can be supported to start up their business?

“The government should try to identify those unemployed with necessary talent and business idea, so that they will be provided with start up capital”.

Key informant No 22**Demographic Information**

Gender: Female

Age: 37

Marital status: widow

Educational Level: Secondary school

i) Gender

a) Why did you set up this business despite your family and domestic responsibilities?

“I have no husband who will take care of my need and that of my children. I thought of establishing this business immediately when my husband passed away in orders to meet our needs and wants”.

b) Why women are not starting up business like their men counterpart?

“Usually people do not attach much importance to women businesses as compared with men. Women businesses are mostly considered as petty and supplementary means of getting an income to the family”.

- c) How do you think women entrepreneurship can be boosted?

“The government and other institutions should extend the same level of support to women as they did to the men entrepreneurs”.

ii) Unemployment

- a) Why is it difficult for unemployed people to start up their own business?

“Some people find it difficult to start business because they are used to a paid employment. They prefer to wait until they job instead of starting their own business”.

- b) How do you think the unemployed can be supported to start up their business?

“The government should provide a training centers for training of unemployed people so that they can learn and acquire necessary skills to be able to start on their own rather than waiting for paid employment”.

Key informant No 23

Demographic Information

Gender: Woman

Age: 34

Marital status: Married

Educational Level: Diploma

i) Gender

- a) Why did you set up this business despite your family and domestic responsibilities?

“I was motivated by my husband to start a business. He actually provides the capital and gave necessary support for the business. This kind of business cannot stop me from discharging my domestic responsibility”.

- b) Why women are not starting up business like their men counterpart?

“Some men in this locality prefer their wives to stay at home in order to cater for children and other domestic responsibilities. Married women are mostly faces challenges from their husband for not allowing them to go outside for business purposes or gainful employment”.

- d) How do you think women entrepreneurship can be boosted?

“There is need for sensitization and support by the government to particularly married women on the need to participate in business so as to reduce poverty among the family”.

ii) Unemployment

- a) Why is it difficult for unemployed people to start up their own business?

“It is difficult for the unemployed to start a business because most of them do not have initial capital to start”.

- b) How do you think the unemployed can be supported to start up their business?

“There is need for both the government and community to provide means in which fund can be available for unemployed who are ready to become self employed or entrepreneurs”.

Key informant No 24

Demographic Information

Gender: Female

Age: 41

Marital status: Married

Educational Level: Secondary school

i) Gender

- a) Why did you set up this business despite your family and domestic responsibilities?

"I have to start this business of the difficulties we are facing financially. It is necessary for me to initiate this business in order to keep surviving".

- b) Why women are not starting up business like their men counterpart?

"There is nothing a woman can do if her husband does not allow to do business or work. In some cases men doesn't want their wives to stay far away from their homes because of their children"

- c) How do you think women entrepreneurship can be boosted?

"There is need for men to understand the need to empower their wives economically in order to reduce the family financial problems. The government also should educate people on the need to become entrepreneurs and provide necessary support to encourage women involvement".

ii) Unemployment

- a) Why is it difficult for unemployed people to start up their own business?

"Some people spent all their lives working, so they find it difficult to start up business. Young people are particularly suffering from lack of initial capital".

- b) How do you think the unemployed can be supported to start up their business?

"The government should come up with workable plan to support unemployment through training and provision of necessary infrastructural support".

Key informant No 25

Demographic Information

Gender: Female

Age: 33

Marital status: Married

Educational Level: Diploma

i) Gender

- a) Why did you set up this business despite your family and domestic responsibilities?

"It is not easy to survive without engaging yourself economically either at home or anywhere. I have to start up this in order to meet up with my financial challenges".

- b) Why women are not starting up business like their men counterpart?

“Some women believe that it is the responsibility of the husband to provide all they need at home so they become reluctant to be involved in any type of business”.

c) How do you think women entrepreneurship can be boosted?

“The married people should encourage their wives and daughters in becoming entrepreneurs”

ii) Unemployment

a) Why is it difficult for unemployed people to start up their own business?

“It is very difficult nowadays considering the bad economic condition in the country. It is not easy for unemployed people to borrow money which is enough for them start up a business. They usually sell their asset as a source for capital and those without asset find it difficult as many people are not ready to risk their money by borrowing to any unemployed”.

b) How do you think the unemployed can be supported to start up their business?

“The government has a lot to do in supporting unemployed people particularly the youth with start up capital and necessary training for business skill acquisitions”.