

ENTREPRENEURSHIP: CORRELATION BETWEEN NIGERIA AND UK IN THE LAST DECADE

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Abstract

The Naira is crashing against the Dollar and pandemonium is breaking out all over the country. The root cause of this is the overdependence on oil and our exposure to the foreign currency. Nigeria has an abundance of human and natural resources and most of this has not been explored. This paper is an exploratory study of secondary data which are current to the subject matter. The paper looks at fundamental indices both in Nigeria and comparing it to the economic development in the UK drawing parallels. Great mention was how Europe has coped since 2008 with a combination of quantitative easing and stimulation of manufacturing and services industry. This paper looks at the correlation between entrepreneurship and job creation, agricultural industry, youth unemployment, SMEs, GDP, FDI and Exchange rate. The paper also considers the challenges over time in Nigeria and possible ways of overcoming them. The paper concludes by highlighting the significance of entrepreneurship to economic development of a nation and particularly the sustained defence against external economic forces especially during recession or particularly difficult economic conditions. This may possibly be a blueprint for the economic survival in Nigeria.

Keywords: Entrepreneurship, Gross Domestic Product, Foreign Direct Investment, Foreign Exchange, Economic Development

1. INTRODUCTION AND BACKGROUND

1.1. Entrepreneur

An entrepreneur has been described as an individual who recognises an opportunity, marshal resources and takes risk in order to take advantage of them. (Meredith et al, 1991). Onuoha also described an entrepreneur as an individual with the ability to identify opportunities in an environment and with the ability to marshal resources in order to improve that environment. Many of the definitions have made it clear that entrepreneurs have a great role to play in national economic growth.

2.2. History

Nigeria got her independence in 1960 and around this time, many of the businesses were owned by foreigners. (Onyemenam, 2013). A gruesome civil war between 1967 and 1970 stalled any possible

development in businesses but by early 70s a few indigenous businesses have emerged and this was possibly attributed to the petroleum boom which created excess income and inspired some to start enterprises. (Ani N B, 1999). Entrepreneurship has steadily grown since irrespective of the many challenges faced.

2.3. Policies

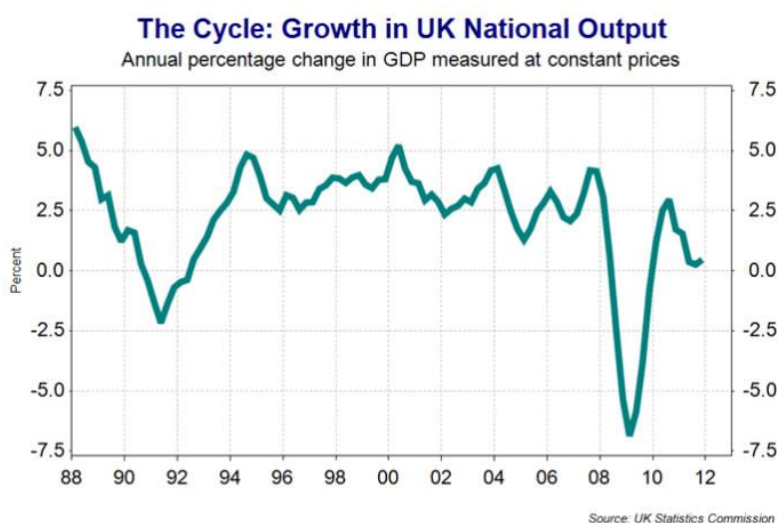
The Nigerian government introduced indigenisation act in 1972 and 1977 in order to help the citizens participate more effectively in businesses. During the economic recession of 1986, structural adjustment programme (SAP) was also enacted to help navigate the difficult times and help boost entrepreneurship. Many institutions have been opened to help finance small businesses and shore up entrepreneurship in the country: Industrial development bank (IDB), small scale industry corporation (SSIC), Nigerian bank for commerce and industry (NBC), national economic reconstruction fund (NERFUNA), directorate of foods, roads and rural development (DFRRI) and more recently to strings of microfinance banks.

2.4. Problems

According to Onyemenam, the problems facing entrepreneurs in Nigeria can be summarised into lack of funding, desire for quick returns on investment, inadequate planning and lack of proper infrastructure to support business efforts. These have also been compounded by the political atmosphere which was largely unstable, social unrest, kidnappings creating an unsafe image for the country. (Diyoke et al, 2014).

2.5. United Kingdom

United Kingdom by comparison has been a developed country with a GNI(Gross National Income) of \$35000 per capital and a HDI of 892 which ranks it 14 among all the countries in the world by 2014. (UN development report 2014). There was a global recession in 2008 of which UK was right at the centre of it. And trade and growth nose-dived.

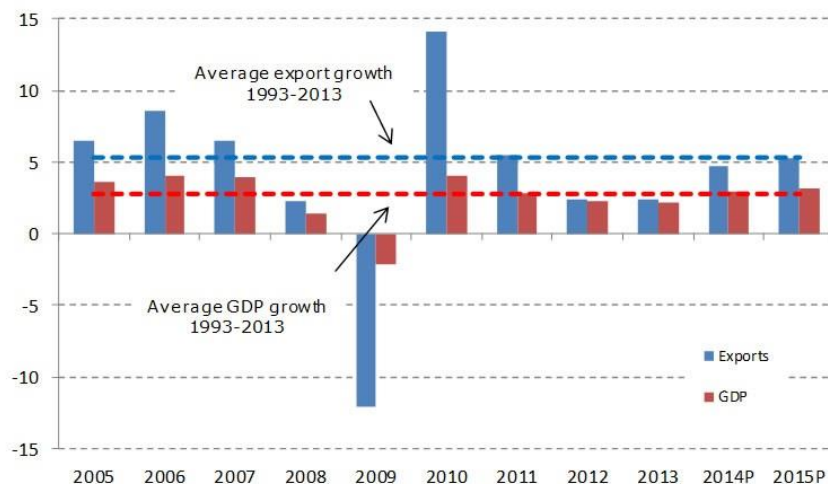


Above picture shows clearly the impact on the GDP (Gross Domestic Product) of UK after 2008. The economic situation in the west has been described as a cycle where there is prosperity and people go spending and banks starts to lend, at first to people who can repay and then to people who can't until the economy overheats and then dips into recession. (Hyman Minsky). This exactly happened in 2008 with most of the world experiencing a contraction in economy and the UK taking a big hit. Many things were done to help stimulate the economy from closely guided interest rates, increased activities on exports, cutting back of government spending, increased taxes, exchange rate monitoring and giving large incentives to entrepreneurs. (Nancy Wall & Brian Ellis, 2015). My focus is on the impact of entrepreneurship on economic growth and how Nigeria can draw parallels in these difficult times. UK recovered much quickly than many other European countries and has avoided the double dip recession and continues to grow albeit slowly but still growing where many others are in recession or hovering around it.

The UK government started an initiative called Start-up Britain Campaign in 2011 in response to the recession and especially the drastic government cuts which were affecting the populace. This campaign had an element which toured the country inspiring and encouraging people to start a business. New Startup has

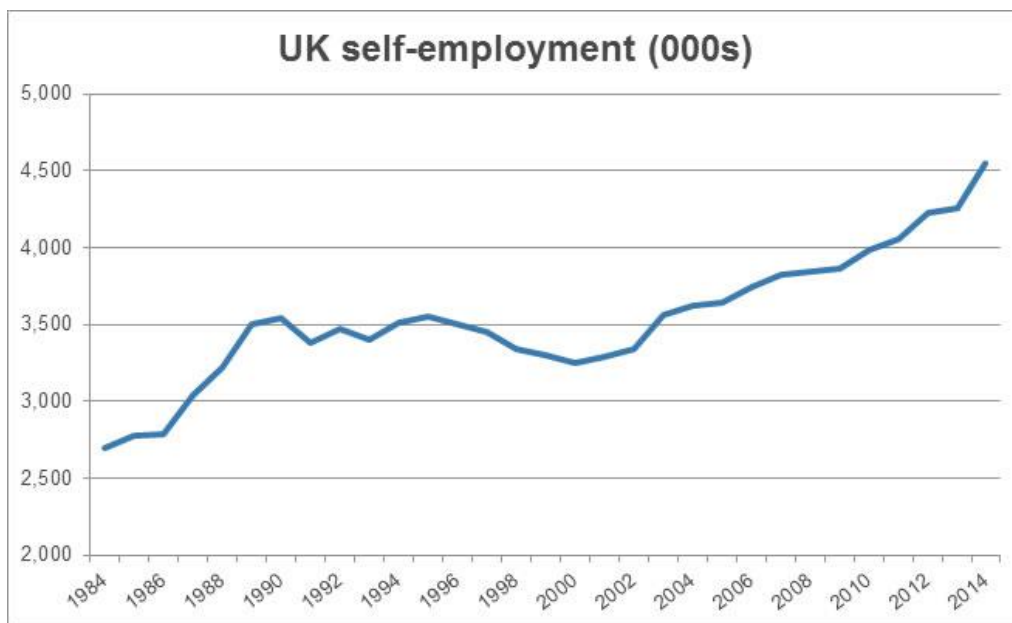
increased from 440, 600 in 2011 to over 600,000 in 2015. (The Telegraph, 13 April 2016). The scheme helps to provide access to funding for small to medium enterprises.

3. ENTREPRENEURSHIP AND GDP



Recent conclusions from global entrepreneurship index show that UK is the leading country in Europe. This was directly responsible for the quicker recovery of the UK economy as many new companies generated alternative employment and also increased exports which ultimately led to increase in GDP. (See above graph). This confirms the earlier theories that there is definitely a link between numbers of start-ups and GDP. Businesses generate employment, sales and help to stimulate the economy. (Wong, Ho, & Auto, 2005).

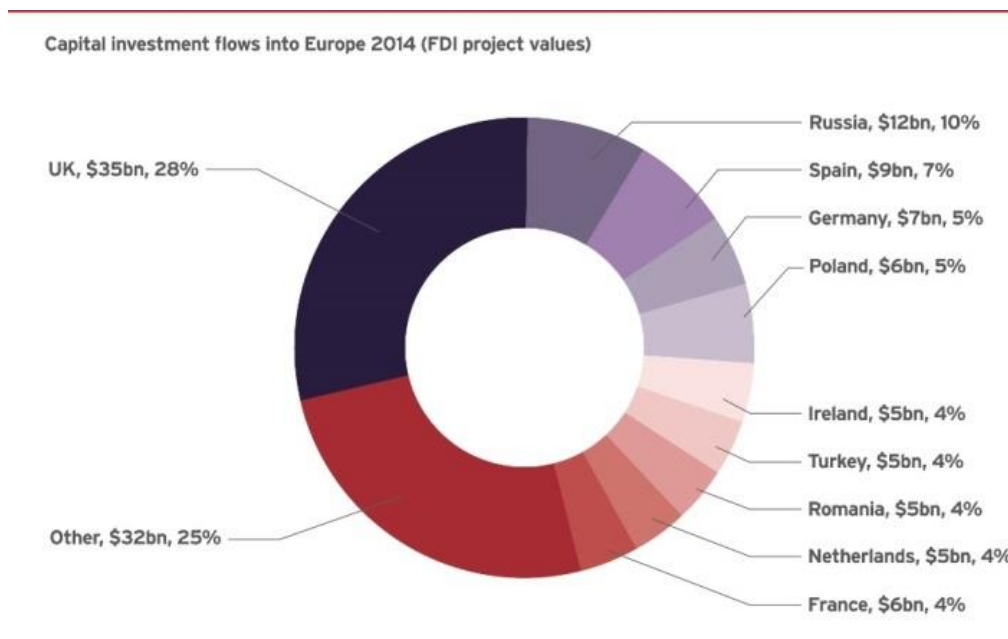
4. ENTREPRENEURSHIP AND EMPLOYMENT



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There has been a steady and even more rapid increase in self-employment in the UK in the last few years. It has grown into 4.5 million (15% of workforce) which is impressive among the developed world. Particular increases have been in the low pay, manufacturing and services sector. This has helped to stem the unemployment which became epidemic after 2008. Many of the youths are now thinking about starting their own businesses as opposed to getting a job. (The Telegraph, April 13, 2016) Increase in the service sectors has helped to generate employment across the world without necessarily leaving home. This has helped the UK recover quicker.

5. ENTREPRENEURSHIP AND FDI



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The rise of entrepreneurship was greatly helped by UK government's initiative to back people who were willing to start their business and also by making it easier for many to access funds. This included a loan of up to £25000 at 6 %. The government also gave some initiative to make the country attractive by providing a stable environment and tax incentives for small to medium enterprises. (SME's). The OECD report of 2014 has confirmed UK as the leading country in Europe with inward investment by 50% when the rest of the world fell by 11%. Increase in FDI has also created over 80000 new jobs according to the same report. UK is the third country in the world with FDI and has investments from all over the world. This has influenced many of the sectors and different parts of the country according to the trade minister.

6. ENTREPRENEURSHIP AND AGRICULTURE

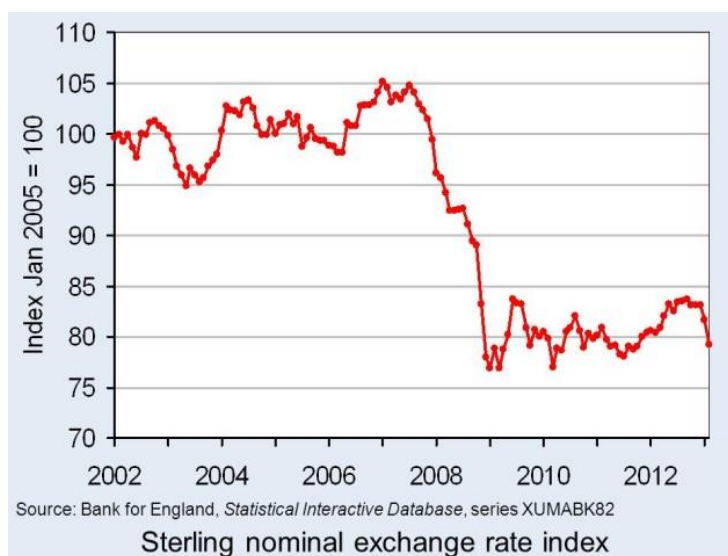


United Kingdom does not have much land space but has been heavily involved in agriculture over the years. The country has been a leader in technological farming making use of innovative technologies in farming. The Agri-Tech Organisation (ATO) promotes the UK as a leading European nation for agri-tech innovation and the global location of choice for agri-tech companies and investors. Focus is majorly on plant science,

animal health, aquaculture and precision agriculture, the ATO contributed to 17 FDI successes, developing and manufacturing a wide range of agricultural technologies for use on-farm. Experts within ATO drawn from business and academia provide free, bespoke and confidential advice to inward investors looking for collaboration in R&D through to location of commercial operations or partnerships. The ATO continues to strengthen relations with Government, as well as national and regional organisations to support large scale businesses, SMEs, and institutions access investments to improve the transfer of world-leading research into commercial applications in the agri-food supply chain. (UKTI report 2014).

Agriculture played a major role in the contribution of GDP to the UK post-recession topping £3billion in 2015. This helped with local food production and boosted exports as well. Initiatives are underway to incorporate young farmers to help replace the older generation.

7. ENTREPRENEURSHIP AND EXCHANGE RATE



The UK exchange rate has been pivotal to the survival of the economy. There was a depreciation following the recession in 2008 and rate has just risen a little and stayed stable since. This depreciation has boosted exports and helped to stimulate the economy. Many in the manufacturing, agricultural and service sectors have benefited from this. The lower rates from the high levels before 2008 has helped to attract lots of FDI mentioned earlier. Imports may have been a little more expensive but this had no bearing on price inelastic goods. Consumers have shopped for cheaper products and shunned unnecessary imports. A combination of government cuts, incentives for enterprises, low levels of the pound and checking of the inflation rate has kept the economy above water in the last 8 years.

8. CONCLUSION

Nigeria is a country that has been categorised into an emerging economy (MINT). A country of close to 200 million people and a very educated young population has often struggled because of a dearth of visionary leadership over many years. This has left a gaping hole in the infrastructure, education and welfare systems of the country. The country has gotten by because of high prices of oil in the past and now that those prices are falling, many do not know what to do. The plunging value of the currency against the dollar has caused so much panic, especially because many are dependent on exports and many more patronise the institutions outside of the country. The fact that the country produces very little does not help the economic outlook.

Nigeria can draw some pointers from the UK experience and adapt that into her own situation. Entrepreneurs are crucial to the development of the country and focus has to be given to them.

1. Change the curriculum in schools to encourage entrepreneurs and not just job seekers.
2. Invest money into helping enterprises access funds.
3. Encourage local products and put a heavy tariff on many imported goods.
4. Allow the naira to find its market value and hope on a depreciation scenario.
5. Invest in making the country a safe place to invest.
6. Construct transport networks.
7. Make electricity stable.

If we can start from here, the people will avail themselves of the opportunities and grow rapidly. We have to be realistic in admitting that this will not be immediate which is why I will emphasise transport and electricity first and then fleshing it out to other points. Examples have shown us how entrepreneurship has a link to fundamental economic indices and grows an economy; the authors believe is that this could possibly be a blue print for the economic recovery and prosperity of the Nigerian economy.

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