

Influence of Entrepreneurship Practices on Small and Medium Enterprises Development (A Case Study of Selected SMEs in Lagos)

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Abstract: *The study examined “the influence of entrepreneurship practice on small and medium enterprises development, a case study of selected SMEs in Lagos. The study reviewed the contribution and performance of SMEs to the economic development of a nation that also depends on various entrepreneurship practices. Both primary and secondary data collection techniques were employed and Chi-Square method was used to analysis the data. The findings showed that, despite the enormous resources that are abound in the country; the SMEs sector has not played the significant role in Nigeria economy. It is recommended that government should as a matter of urgency assist prospective entrepreneurs to have access to finance and necessary information relating to their business opportunities, modern technology, raw material, market, plant and machinery which would enable them to reduce their operating cost and be more efficient to meet the market competition.*

Keywords: *Entrepreneurship practice, SMEs, Development, and Performance.*

I. INTRODUCTION

One of the important inputs in economic development of a country is entrepreneurship. Entrepreneurship is the life blood of any economy and it applies more to a developing economy like Nigeria. An entrepreneur is helping industrial growth and in turn helping national income; as growth of industry is stimulating demand. It is necessary to recognize entrepreneurial capability and role as a separate and important factor of production.

The performance of small and medium enterprises (SMEs) is of interest to all countries. The enterprises have a big potential to bring about social and economic development by contributing significantly in employment generation, income generation and catalyzing development in urban and rural areas. In many of the newly industrialist nations, more than 98% of all industrial enterprises depend on the SMEs sector and account for the bulk of the labour forces (Sanns, 2003). It is estimated that SMEs employ 22% of the adult population in developing countries and provide more employment per unit of capital investment than large scale enterprises. In Nigeria, the SMEs account for about 70% of industrial employment of the Gross Domestic Product (GDP).

1.1. Statement of Problem

In the light of recent economic realities, there is high priority.

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accorded to the development of small scale enterprises.

This is being done through the national orientation agencies, empowerment scheme and active participation by government.

Problem associated with SMEs and the reasons for their failure have been widely identified. Some of these include, lack of planning, inimical government rules and regulations, poor marketing strategy, lack of technical know-how, higher interest rates and Entrepreneurial deficiencies often pose more problems than is usually appreciated. The underlying attitudes and dispositions of entrepreneurs which have deep roots in the traditional socio-cultural system can seriously impede development of the entrepreneurial characteristic necessary for good performance of Nigerian SMEs.

1.2. Objectives of the study

The objectives of the study include the following.

- i. To examine the influence of sources of fund available to the small and medium enterprises.
- ii. To determine the influence of government policies on the growth of small and medium scale enterprise on national development
- iii. To examine the influence of entrepreneurship practices in the economy.

II. LITERATURE REVIEW

Small and Medium scale enterprises are very crucial to the development of a country's economy, especially country like Nigeria. Entrepreneurship is sine qua non to national development, poverty eradication and employment generation. It is the bedrock of any nation's industrialization. A number of studies have been carried out on the impact of entrepreneurial development. Evidence in the fact that some academic journals have devoted special issues concerning establishing this linkage.

Small and medium scale enterprises are subsectors of the industrial sector which play crucial roles in industrial development (Ahmed, 2013). Despite the abundant natural resources, the country still finds it very difficult to discover her developmental bearing since independence. The importance of entrepreneurship development in several economies globally cannot be overemphasized, as such majority of countries worldwide have established programmes to support entrepreneurship within their communities (Ganji & Timan, 2013). The innovativeness of an entrepreneur will help to improve the attainment of economic growth through the development of SMEs.



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These SMEs within the locality will employ more people thereby increasing the wealth of the locality (Scillitoe, 2010).

2.1. Entrepreneur

Ogundele (2010) noted that in the case of the origin of entrepreneur, the beginning of the evolutionary process of the concept 'entrepreneurship' dated back to Cantillon (1755), Say (1821) and Schumpeter (1934). Entrepreneurship can be conceptualized as the discovery of opportunities and the subsequent creation of new economic activity, often via the creation of a new organization. Reynolds (2005) defined Entrepreneurship as the pursuit of opportunity without regard to resources currently controlled (Stevenson, 1975). This translates that a specific skill would appear to be particularly important, while making use of resources that is outside the entrepreneur's control (Stevenson, 1983; Jarillo, 1989).

Since entrepreneurial behavior implies pursuing opportunities regardless of the resources under control, the management task of planning, sourcing and coordinating resources come into play. This is described as the ability to create something from practically nothing and the willingness to take a moderate risk. Agbionu (2008), Entrepreneurship involves a process aimed at creating wealth for the purpose of growth, development of the environment and eradication of unemployment for national economy sustainability. Kuratko and Hodgetts (2001) define that entrepreneurship as the dynamic process of creating incremental wealth. This wealth is created by individuals who take the major risks in terms of equity, time and career commitment of providing value to some products or services

The product or service itself may or may not be new or unique but value must somehow be infused by the entrepreneur by securing and allocating the necessary skill and resources. Dickson et al. (2008), Bessant, Alexander, Tsekouras, Rush and Lamming (2012) opined that entrepreneurship is an important aspect of an organization and economies. It creates jobs, reduces poverty, and increases wealth of the individual and the nation. Tijani (2004) defines entrepreneurship as the process of increasing the supply of entrepreneurs or adding to the stock of existing small, medium and big enterprises available to a country by creating and promoting many capable entrepreneurs, who can successfully run innovative enterprises, nurture them to growth and sustain them, with a view to achieving broad socio-economic developmental goals.

In Nigeria, different administrations at various times have geared their efforts towards developing its entrepreneurship. Several developmental and financial assistance instruments were employed (Oni & Daniya, 2012). However, such government ingenuities were terribly unsuccessful as a result of overbearing bureaucratic procedures, corruption, insufficient and ineffectual infrastructural amenities (Ihugba, Odii & Njoku, 2014).

They argued for the entrepreneurs to succeed in Nigeria, there must be political clout as well as massive resources to be able to influence government laws. Thus as start-up entrepreneurs, these two (political clout and huge financial resources) are lacking. Lee and Osteryoung (2004) argued that the capability of business owner to influence government policy is related to the success of entrepreneurial activities. Ihugba, Odii and Njoku (2014) argued that even though Nigerians are possibly one of the

most entrepreneurial people globally, yet government is not doing enough to encourage entrepreneurs through policies. Thus, suggested and recommended for government to make available the enabling environment for private sector investment through the delivery of suitable infrastructural amenities.

In Nigeria, the third National Development Plan (1975-1980) defines small scale business as a manufacturing or service organization whose employee is not more than 10. The individual research unit of Obafemi (1987) defines it as "one whose total assets or capital is less than N50, 000 and employee fewer than 50 full time workers". Attempting to improve dynamic market efficiency through raising innovation and aiming to limit necessity entrepreneurship may have implications for policy that runs counter to many current policies; for instance, many aim governments justify competition policy referring to the need to improve static and allocation efficiencies in markets. However, this may miss the fact that with underdeveloped financial market in developing countries, raising competition might not improve dynamic efficiency. In the absence of financial markets, firm can only finance innovation through profits; it will erode their innovative activities. Reducing the need for necessity entrepreneurship may also imply policies to encourage job creation and provide social security, policies not properly associated with and entrepreneurial economy (Naude 2013).

According to Naude (2013), Schumpeter famously defined the entrepreneur as the coordinator of production and agent of change (creative destruction). As such the "Schumpeterian" entrepreneur is an innovator. Scholars who share this view of entrepreneurship do not consider entrepreneurship to be very important in earlier stages of economic development. They see the contribution of entrepreneurship to be much more important at later stages of development, where economic growth is driven by knowledge and competition. At earlier stage of development, entrepreneurship may play a less pronounced role because growth is largely driven by factor accumulation.

Kirzner (1973) views the entrepreneur as someone who facilitates adjustment to change by spotting opportunities for profitable arbitrage (and disequilibrium situations in the market). This view has resorted among scholars who emphasize the opportunity-grabbing-for-profit nature of entrepreneurship (Shame & Ventakaram, 2000), Particularly in a developing countries where market disequilibria may be common.

A synthesis definition has been offered by Gries and Naude (2011) that combines behavioural and occupational views and relates entrepreneurship to the three big ideas in development economies as discussed in the introduction. As such, this definition to an extent reflects some of the evolution in the scholarly thinking about entrepreneurship and defines entrepreneurship as "the resources, process and state of being through and in which individuals utilize positive opportunities in the market by creating and growing new business firms". This definition emphasizes the process value of entrepreneurship and describes entrepreneurial opportunities in a broader sense than is usual in the literature.



For instance, share and Venkataraman (2000) defines an opportunity as when goods can be sold at a profit from a development perspective, as it implies that utility from entrepreneurship depends only on monetary gains.

While Opportunities include situations to create new firms that will further the kind of lives desire.

The use of the adjective 'positive' in relation to opportunities reflects a subjective assessment that entrepreneurial ability may be allocated to destructive activities (Baumol 1990).

The small and medium enterprise (SMEs) sector carries great hopes and great burdens in the evolution of all the transitional economies to sustained an healthy growth of this sector .It is obviously difficult to imagine rising overall living standards and social peace without such a development. With the large scale units both the State Owned Enterprise (SOE) and Previously State-Owned Enterprise (PSOE) sector often at best stagnant. Successful performance during the transition increasingly appears to be dependent on the expansion of this small and medium enterprise sector. Even if the hopes that the sector will by itself have a systems-dynamizing and transformational effect prove to be false. Its role in generating employment and an atmosphere of social stability is crucial, McIntyre (2001).

2.2. Structural Economic Transformation and Entrepreneurship

One of the contributions to development economics has been dual economy models, inspired by Lewis (1954) utilized to explain the structural transformation of underdeveloped economies. Gries and Naude (2010) explain the Lewis-model distinction between a traditional and modern sector with the micro-foundations of optimizing household, firms and labour market matching. They also distinguish between mature and startup entrepreneurs, between large firms and opportunity-driven entrepreneurs. In their model, the transformation from a low income traditional economy to a modern economy involves significant changes to production methods a process of change where entrepreneurs provide essential roles, including providing innovative intermediate inputs, permitting specialization and raising productivity and employment.

In structural change, entrepreneurial ability has been accorded centre stage. Murphy et al (2013) provided a model that describes firm size and the growth of the economy as a function of entrepreneurial ability. A Key role to the effectiveness of entrepreneurial ability is a vital determinant of the rate of assimilation of technology.

De Paula and Scheinkman (2007) find that informal firms are often a form of 'evasive' entrepreneurship in order to evade taxes or regulations or to engage in illegal trade. They also find that they are less efficient, less able to obtain finance and more likely to be dominated by entrepreneurs of low ability. Thus, the informal sector is much like the traditional or subsistence sector in typical dual economy models and growth may be enhanced by encouraging entrepreneurs of high ability to migrate to the formal sector.

2.3. Hypothesis

The following hypotheses are formulated for the study:-

- H₀: Conditions for accessing SMEs fund are not beyond the reach of most entrepreneurs.
- H₁: Conditions for accessing SMEs fund are beyond the reach of most entrepreneurs.
- H₀: Entrepreneurship practice and improvement do not have a significant effect in Nation development.
- H₂: Entrepreneurship practice and improvement have significant influence on Nation development

III. METHODOLOGY

The study adopted survey research design and use stratified sampling method as it gives every subject in the population an equal chance of being selected.

3.1. Population of Study and Sample Size

A Total of 65 subjects are selected (using taro- yamane) from population of 79 registered SMEs in furniture businesses from the web whose addresses and telephone numbers are available .Thus the population is district because it was estimated despite the fact that there are some that did not registered on the internet.

3.2. Instrument and Data Analysis Method

Questionnaires were used as data collection instrument. The questionnaire was designed adopting the tested scale measures on entrepreneurship practices on SMEs development. The instrument was drawn using 5 point Likert scale of Strongly Agreed, Agreed, Undecided, Disagreed and Strongly Disagreed. While Chi-Square statistical method was used to analyse the data.

Testing of Hypothesis

Hypothesis I

- H₀ Conditions for accessing SMEs fund are not beyond the reach of most entrepreneurs
- H₁ Conditions for accessing SMEs fund are beyond the reach of most entrepreneurs

OPTION	O	E	O - E	(O - E) ²	<u>(O - E)² E</u>
SA	34	13	21	441	33.92
A	11	13	-2	4	0.31
UD	7	13	-6	36	2.77
D	3	13	-10	100	7.69
SD	10	13	-3	9	0.69
Σ	65				45.38

: - Chi square calculated = 45.38 or X²c = 45.38

To obtain the value of chi square (X²t) degree of freedom used at 0.05 level of significant.

$$\begin{aligned}
 Df &= (r - 1)(c - 1) \\
 &= (5-1)(2-1) \\
 &= 4 \times 1 = 4 \\
 Df &= 9.49
 \end{aligned}$$



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➤ Interpretation

Since the calculated value of chi square (X^2c) is greater than the table value of chi square (X^2t) i.e. $45.38 > 9.49$, therefore the null hypothesis (H_0) was rejected while the alternative was accepted. Thus, conclude that conditions for accessing SMEs fund are beyond the reach of most entrepreneurs.

Hypothesis II

H_0 : Entrepreneurship practice and improvement do not have significant influence in Nation development?

H_2 : Entrepreneurship practice and improvement have significant influence in Nation development?

The test of the above hypothesis, made use of question 8 from the questionnaire.

OPTION	O	E	O - E	(O - E) ²	<u>(O - E)²E</u>
SA	40	13	27	729	56.08
A	11	13	-2	4	0.31
UD	8	13	-4	16	1.23
D	3	13	-10	100	7.69
SD	3	13	-10	100	7.69
Σ	65				73

∴ Chi square calculated = 73 or $X^2c = 73$

To obtain the value of chi square (X^2t) degree of freedom used at 0.05 level of significant.

$$\begin{aligned}
 Df &= (r - 1)(c - 1) \\
 &= (5-1)(2-1) \\
 &= 4 \times 1 \\
 &= 4 \\
 Df &= 9.49
 \end{aligned}$$

➤ Interpretation

Since the calculated value of chi square (X^2c) is greater than the table value of chi square (X^2t) i.e. $73 > 9.49$, therefore the null hypothesis was rejected while the alternative was accepted. Thus, conclude that entrepreneurship practice and improvement have significant effect in Nation development.

IV. CONCLUSION BASED ON FINDINGS

A major gap in Nigeria industrial development process in the past years has been the absence of strong SME sub-sector, with over 150million people, vast procedure farm land, rich variety of mineral deposits and other natural resources, Nigeria should have been a haven for SMEs.

Unfortunately, SMEs have not played the significant role they are expected to play in Nigeria economic growth and development. Driven by the finding in the study, SMEs in Nigeria have a long way to go for the sector to be productive enough and play the crucial role it is expected to be in relation to contribute to the growth and development of the economy of Nigeria.

4.1. Recommendations Based on Conclusion

The study recommends that government should as a matter of urgency assist prospective entrepreneurs to have access to finance and necessary information relating to their business

opportunities, modern technology, raw material, market, plant and machinery which would enable them to reduce their operating cost and be more efficient to meet the market competitions. In the light of policy implementation, understanding the factors hindering the growth and survival of SMEs in Nigeria will help policy maker, government (federal, state and local), NGO, and other stakeholders to design targeted policy and programs that will actively stimulates innovations, as well as helping those policy makers to support, encourage and promote SMEs for poverty alleviation in Nigeria.

4.2. Suggestion for Further Studies

Further studies should look into other aspect of sustainable entrepreneurs such as its driving factors and consequences.

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