

POVERTY, UNEMPLOYMENT AND GROWTH IN NIGERIA: THE ROLE OF
ENTREPRENEURSHIP

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ABSTRACT

This paper identified crucial factors influencing the growth and development of entrepreneurship activity and specific role of entrepreneurship activity at ameliorating the burden of poverty, among people in Lagos State, Nigeria. It addresses specific causal factors, indices of poverty and unemployment and proffered panacea to the identified problems.

The choice of Lagos State was purposive because of its disposition as the commercial nucleus centre of the country. A multi-stage sampling procedure was adopted to get a sample size of 250 respondents. Descriptive statistics (such as frequency counts, percentages and means) were used to summarise and describe the data.

The findings reveal that entrepreneurial activities absorbs unemployed labour and reduces the dependency ratio of working class. It was also evident that optimum positive derivatives of entrepreneurship was not realized because of inherent problems of non-availability of accessible credit facilities and lack of multi-functional continuum of support to entrepreneurs.

Keywords: Entrepreneurship, Poverty, Development, Growth, Unemployment.

1. Introduction

Poverty in Africa is substantially higher than in other developing regions. More enigmatic is that poverty in Africa is chronic and rising. The share of the total population living below the \$1 a day threshold of 46 per cent is higher today than in the 1980s and 1990s-this despite significant improvements in the growth of African GDP in recent years. The implication: poverty has been

unresponsive to economic growth. Underlying this trend is the fact that the majority of people have no jobs or secure sources of income. Various reasons have been given for Africa's lack of response of poverty to economic growth. First is the inadequacy of the growth rate. African countries need to grow by an estimated 7 per cent a year to reduce poverty enough to achieve Millennium Development Goal 1, of

halving the number of poor people by 2015. This growth is far higher than the average of nearly 4 per cent in the last decade. Second is the low labour absorption in the growth sectors. Growth has been concentrated in the traditionally capital-intensive extractive sector. Agriculture, which employs most people in most African countries, is characterized by low productivity growth, and thus has not provided enough real employment and income security to the population, particularly in rural areas. Third is inequality in the distribution of opportunities created by economic growth. Poor people lack the capacity to meaningfully participate in the economy, either as producers of goods and services or as suppliers of labour. There is a close association between employment performance and poverty prevalence: poverty rates have remained roughly constant in the same manner as the recorded unemployment rate since the 1980s. And the volatility of growth has added to the vulnerability of poor people. Only a few countries in Africa have sustained growth over the years. Yet that is precisely what is required to increase employment and reduce poverty.

The reduction of poverty is the most difficult challenge facing any country in the developing world where on the average majority of the population is considered poor. Evidences in Nigeria show that the number of those in poverty has continued to increase. For example, the number of those in poverty increased from 27% in 1980 to 46% in 1985; it declined slightly to 42% in 1992, and increased very sharply to 67% in 1996

(National Bureau of Statistics, 1999). By 1999 when the last administration came to power, estimates had it that more than 70% of Nigerians lived in poverty. That was why last government declared in November 1999 that the N470 billion budget for year 2000 was "to relieve poverty." Before the National Assembly even passed the 2000 budget, the government got an approval to commit N10 billion to poverty alleviation programme. In the 2001 budget, the government has increased the allocation to poverty alleviation programme by 150%. This idea of poverty alleviation was received with high hopes especially given the speed with which this present administration tackled the fuel problem as soon as it came to power. Poverty alleviation was seen as a means through which the government can revamp the battered economy and rebuild self-esteem in majority of Nigerians who had been dehumanized through past military regimes. (Ogwumike and Aromolaran, 2002)

2. Literature review

There is no completely satisfactory way of defining poverty. The Longman Dictionary of Contemporary English defines it as a state of being poor. Atkinson (1984) provides an official definition of poverty as used by the U.S. as "absolute poverty standard". The definition was based on nutritionally sound food designed by the Department of Agriculture where the average cost of the family food plan is multiplied by 3 and the resultant total is defined as the poverty line. Hence any situation that falls below such line is described as absolute poverty. In another study, Todaro (1985) defines poverty

as a situation where a population or section of a population is able to meet only its bare subsistence essentials of food, clothing and shelter in order to maintain minimum levels of living. While poverty can be measured in terms in terms of income, in developed world, it has been argued that inadequate access to basic infrastructure like water, health and education facilities, transportation and even information will be important in defining poverty in a developing country like Nigeria (Olanrewaju 1996), (Onibokun et al. 1996). The view of poverty in the rural sector is not new as the nature of rural economy is (which is absolute subsistence) has over a long time been a cause of poverty in the rural population.

There is no precise definition of unemployment. In Britain for instance, the Department of Employment accepts as unemployed any school-leaver who is not in paid employment but who is available for work and is capable of working, (Olajide, S.O.1981). The Census Bureau of the United States of America accepts Lloyd G. Reynold's definition of unemployment as "the difference between the amount of labour offered at present wage levels and working conditions and the amount of labour hired at those level". According to a United Nations definitions, the unemployed consist of all persons who, during the reference period, were not working but who were seeking work for pay or profit, including those who never worked before. Unemployed persons also include those who were not seeking work because of temporary illness, because they made arrangements to start a new job

subsequent to the reference period, or because they were on temporary or indefinite lay-off without pay.

Underemployment on the other hand, is measured by the number of hours worked. Those who work for less than 40 hours a week for involuntary reasons in Nigeria are considered underemployed, (Englama 2001).

According to Smith (1997), unemployment is a stock concept. This is because the number and identities of people in the labour category are always changing and thus affect the level of those in the market.

Unemployment has also been categorized as one of the serious impediments to social progress. Apart from representing a colossal waste of a country's manpower resources, it generates welfare loss in terms of lower output thereby leading to lower income and well-being, (Olajide, S.O.1981). Unemployment is a very serious issue in Africa, and particularly in Nigeria, (Englama 2001). The need to avert the negative effects of unemployment has made the tackling of unemployment problems to feature very prominently in the development objectives of many developing countries. Incidentally, most of these countries' economies are also characterized by low productivity. Thus, it seems obvious to many policy makers that there must be a straight forward connection between productivity and employment/unemployment. While some researchers posit that higher productivity may increase unemployment (Englama 2001)

3. The poverty - unemployment relationship

Poor people have severely limited access to, and control over, key assets, including land and physical and human capital. Lacking production and labour market endowments, the poor have low income and low consumption. Most poor people are also inadequately educated and may be less healthy than the rest of the population. Many depend for their livelihoods on (low productivity) subsistence agriculture or on the informal sector, where returns to labour and capital are generally low. Workers in the informal sector have low salaries, limited protection and frequent spells of unemployment. These factors, coupled with lack of access to the institutions that shape policies, prevent poor people from acquiring the capabilities for decent living. The number of people living below the poverty line only tells half the story. In Africa, not only do many people live below the poverty line but they also stay poor for long and sustained periods. Many of these chronically poor people only emerge briefly from poverty because of seasonal employment, but lack the impetus to contribute to technological change and economic growth. Unable to directly participate in the growth process, for this group, albeit insufficient, overall economic growth is necessary to boost their incomes.

4. Poverty-unemployment reduction strategies in Nigeria

In Nigeria, the poverty alleviation measures implemented so far have focused more on

growth, basic needs and rural development approaches.

4.1 The Pre-SAP Era

During this era, poverty reduction was never the direct focus of development planning and management. Government only showed concern for poverty reduction indirectly. For example, the objectives of the first National Development Plan in Nigeria included the development of opportunities in health, employment and education as well as improvement of access to these opportunities. These objectives, if achieved could no doubt lead to poverty alleviation. Similarly, the Fourth National Development Plan, which appeared to be more precise in the specification of objectives that are associated with poverty reduction, emphasized increase in real income of the average citizen as well as reduction of income inequality, among other things, Ogwumike, (1987 and 1998). During this era national development plans, many of the programmes which were put in place in Nigeria by the government (either wholly or in association with international agencies) had positive effects on poverty reduction although the target population for some of the programmes were not specified explicitly as poor people or communities. (Ogwumike, 1995 and 1998).

4.2. Directorate of Food, roads and Rural Infrastructure (DFRRI)

The establishment of DFRRI was not only a radical departure from the previous programmes, but also recognized the complementaries associated with basic needs

such as food, shelter, potable water, etc. DFRRRI had tremendous impact on the rural areas. For instance, between the time of inception in 1986 and 1993, DFRRRI had completed over 278,526 km of roads. Over 5,000 rural communities benefited from its rural electrification programme. This integrated approach to rural development, no doubt, provided for the necessary basic infrastructures that can stimulate the growth of agro - allied small - scale enterprises in rural areas. (Ogwumike, 2002).

4.3. The National Directorate of Employment (NDE)

This was the main organ for employment creation during this period. The objectives of NDE include: to design and implement programmes to combat mass unemployment; and articulate policies aimed at developing work programmes with labour intensive potentials. Given that poverty manifests itself in the form of unemployment and underemployment, the schemes/Programmes of NDE could be said to have poverty alleviation focus. (Ogwumike, 2002)

4.4. Better Life Programme (BLP)

This was set up to enhance the quality of life of rural women, among other objectives. Poverty in Nigeria is a rural phenomenon and the rural women are worst hit by the dreadful malady of poverty; this is due to lack of basic skill and education necessary for gainful employment. The targeting of women in the fight against poverty will no doubt reduce significantly aggregate level of poverty in the country. The Better Life

Programme, therefore, tried to harness the potentials of rural women and thereby impacted positively on their economic activities and incomes. (Ogwumike, 2002)

4.5. People's Bank of Nigeria (PBN)

This was set up to encourage savings and provide credit facilities for the underprivileged in both urban and rural areas. Also, Community Banks (CB) were established to provide banking facilities for rural dwellers as well as to support micro - enterprises in urban areas, (Oladeji and Abiola, 1998). These two banking schemes were established in recognition of the indispensable role of finance in poverty alleviation and employment creation. Although the two banking schemes had some success, many of their goals and objectives were never realized. The schemes have been bedevilled with many adverse factors including corruption and gross mismanagement. For instance, late Tai Solarin resigned as Chairman of peoples Bank because of alleged corruption/executive rascality that characterized the management of the bank.

4.6. Family Support Programme (FSP)

This was set up to provide health care delivery, child welfare, youth development, and improved nutritional status to families in rural areas. Also, the Family Economic Advancement Programme (FEAP) was established to provide credit facilities to cooperative societies to support the establishment of cottage industries in both rural and urban areas. The programme was also designed to create employment

opportunities at ward levels, encourage the design and manufacture of appropriate plants, machinery and equipments, and provide opportunities for the training of ward - based business operators. (Oladeji and Abiola, 1998).

Other several programmes such as National Agricultural Land Development Authority (NALDA), the Agricultural Development Programmes (ADP), and the Strategic Grains Reserves Programmes (SGRP) have one way or the other impacted positively on the agricultural sector and by implication reduced poverty. Similarly, in the health, education and housing sectors there are several poverty reducing programmes which were implemented. For example, the Primary Health Care Scheme and the Guinea Worm Eradication Programme. Although the guinea worm eradication programme recorded a tremendous success, the effectiveness of the primary health care programme was grossly reduced due to inadequate funding, lack of equipment, essential drugs and trained manpower, (Egware, 1997).

5. Funding of Nigeria Poverty Eradication Programme (NAPEP)

The Poverty Eradication Fund (PEF) which is administered by the National Poverty Eradication Council (NAPEC) directly funds the National Poverty Eradication Programme. However, all poverty alleviation programmes originally budgeted for by participating ministries will continue to be funded from those budgetary provisions under the supervision of NAPEC. NAPEP is

also funded from contributions given to it by state and local governments, the private sector and special deductions from the Consolidated Fund of the Federal Government. It also gets donations from international donor agencies such as the World Bank, the United Nations Development Programme, the European Union, and the Department for International Development, the Japanese International Cooperation Agency, and the German Technical Assistance.

When NAPEP came on stream in January 2001, it was given a take-off grant of N6 billion (\$42.8m). This money was used to establish NAPEP structures in 36 states, the Federal Capital Territory, Abuja and 774 local government councils. Part of the money was also used in the NAPEP employment generation intervention which translated to the training of 100,000 youths, attaching 50,000 unemployed graduates in various places of work, training of over 5000 people in tailoring and fashion design, and the establishment of rural telephone networks in 125 local government areas. Other uses to which the money was utilized include of the delivery of the KEKE-NAPEP a three-wheeler vehicle project involving 2000 units in all the state capitals of Nigeria, the establishment of 147 youth information centres across the senatorial districts, the delivery of informal micro credit ranging from N10,000 (\$71) to N50,000 to 10,000 beneficiaries most of whom were women, and so on. (Elumilade, Asaolu and Adereti 2006)

5.1 NAPEP Interventions in Poverty Alleviation and Employment Drive

From January 2001, NAPEP has intervened in a number of projects. So far, about 140,000 youths have been trained in more than 190 practical hand-on trades over a period of three months. Every trainee in this intervention project was paid N3,000 (\$21) per month while N3,500 (\$215) was paid to each of the trainer. The training programme was packaged with the understanding that beneficiaries would subsequently set up their own businesses in line with the skills they have acquired. To actualize this, 5,000 beneficiaries were resettled with assorted tailoring and fashion designing equipment. Also under the Mandatory Attachment Programme for unemployment graduates, 40,000 beneficiaries were attached in 2001, each of whom was paid a monthly stipend of N10,000 (\$71). The installation of equipment under the Rural Telephone Project is currently in progress, while the KEKENAPEP project is currently being vigorously implemented. The project offers:

- A vehicle with a powerful diesel engine, and a fuel tank capacity of 10.5 litres
- A vehicle with a passenger capacity of four people
- A vehicle with a payload capacity of 320kg
- A vehicle with adequate room for passenger luggage
- A vehicle whose maximum speed is up to 80 km per hour
- A vehicle that is suitable for intracity commuting and commercial passenger carriage; and

- A vehicle that has a low fuel consumption of 38km per litre. (Elumilade, Asaolu and Adereti 2006)

6. Research methodology

The area of study includes the five (5) divisions of Lagos State namely Epe, Ikorodu, Ikeja, Island and Badagry. Lagos State has a total land area of 358,861 hectares or 3,577 square kilometers and is located in the Southwestern part of Nigeria on the narrow coastal plain of the Bight of Benin. The State lies approximately between Longitudes 2°42' and 3°22' East of the Greenwich Meridian (London) and between Latitudes 6°22' and 6°42' North of the equator.

It is bounded in the North and East by Ogun State of Nigeria, in the West by the Republic of Benin, and stretches over 180 kilometers along the Guinea Coast of the Bight of Benin on the Atlantic Ocean. The method of analysis was based on Descriptive statistics (such as frequency counts, percentages, means and standard deviations) were used to summarize and describe the data.

6.1. Sampling Technique and Sample Size

A purposive selection using multi-stage sampling technique was adopted in selecting (10) Communities. The communities are Temu and Noforija (Epe Division), Imota and Oriwu (Ikorodu Division) Idale and Irewe (Badagry Division) Surulere/Anikanle and Ijedodo, Sangotedo and Idi-Araba (Island).

In each of the randomly selected communities, two producer co-operative societies were identified and purposively chosen. In all two hundred and fifty (250) respondents were investigated based on strength of the communities and population size. Through the use of structured and unstructured interview schedules administered at two different periods within a month, the validity of the instrument was established.

The Independent variable, Entrepreneurship was measured by the number of businesses ventures which a respondent had and the total number of employees who worked for him. The dependent variables-poverty and unemployment was measured by number of meals per day, informal borrowing from friends, sales of Assets, underemployment e.t.c. A total mark of five (5) was awarded based on the response from the respondent.

7. Data analysis

Frequency counts, percentages, means and standard deviations were used to describe and summarize the data collected. The standard deviation was used to determine the degree of dispersion of the means.

7.1. Discussions and Findings

This research finding depicts that the level of paid employment in the selected areas is very minimal and that decent employment is the main escape route out of poverty. The prerequisites for creating decent employments include the transformation of local communities from low productivity traditional agriculture to labor-intensive

high value industrial and services sectors, taking advantage of globalization opportunities.

However, it was observed that traditional measures of alleviating poverty may not easily work in the communities being researched without radical changes in the assets ownership structure, credit structure e.t.c.

The major findings are presented under basic socio-economic variables, supportive variables and promotional infrastructure.

Basic Socio-economic variables

We observed that 78.2 percent of the respondents were male while 21.8 percent was female, 33 percent of the population had tertiary education with an average family size of 8 members. The average age of respondents was 44.63 years, 87.6 percent of respondents are married, 8.1 percent are widower and 4.3 percent are divorce. The average income of respondents was N12,800 per month. Majority of (39%) respondents are engaged in farming, and poultry (34%) and small proportion are simultaneously Civil Servant, transporters and fashion designers (18%). The findings reveal that most respondents had affiliations with the State Ministry of Agriculture (62.8%), Ministry of Rural Development (68.1%) and (23.8%) benefited from the National Poverty Eradication Programme (NAPEP). About 67.3 percent of the respondents are registered members of different Co-operative thrift and Credit Societies and barely 18.1 percent had benefited directly from their Co-

operative societies. The active Co-operators secured credit facilities that could aid their entrepreneurship activities in Garri-Processing, Fishing Processing, Boat making, palm oil Processing Coconut-Local mat, weaving and Fashion designing.

Sex of respondents (%)

Marital status of respondents (%)

Mean age of respondents (years)

Mean income of respondents (monthly)

Occupation of respondents (%)

Supportive Infrastructure

These are the variables that assist the functioning of Entrepreneurship. The study revealed that 57.3 percent of the respondents admitted that their communities had both feeder roads that are motorable. Water supply (%) to these communities were mainly through wells (53.8%) streams (27.6%) and by water corporation (18.4%). Although, electricity supply by Power Holding Company Nigeria Limited was highly unstable, but it accounted for about (62.3%) of power supply (%), 37.7 percent of the Entrepreneurs in these communities have alternative source of electricity as a back-up mechanism.

Promotional Variables

These are variables and factors which are directly and indirectly influence the development of entrepreneurship. Analysis revealed that 35.8% of respondents admitted that postal services were available in their communities. Most communities had no banking facilities and police security posts.

However, maternity centres and traditional health centres were the major health facilities in the communities. It was observed that major constraints to investment (%) drive are lack of credit facilities (72.3%), lack of stable power supply (27.6%). It was also noted that most government projects in the communities are tailored towards benefiting a particular section of the communities who are perhaps political power brokers in the communities.

8. Summary / recommendations and conclusion

Decent employment is the main escape route. A major route out of poverty in Nigeria is decent employment, a concept that encompasses the quality of employment- rooted in productive and secure jobs that provide adequate income and reasonable work conditions-and the quantity of employment. Decent employment strengthens the link between economic growth and aggregate poverty reduction. Prerequisites for creating decent employment include the transformation of African economies from low productivity traditional agriculture to labour-intensive high value agriculture and agro processing and to the growing industrial and services sectors, taking advantage of globalization's opportunities. Political leadership is thus required in managing African economies to give priority to broad-based employment creation in national development programmes, including poverty reduction and Employment creation strategies.

This paper focuses on four key challenges for Nigeria in the fight against unemployment and poverty: achieving structural transformation to break away from the underutilizations of rural labor, addressing widespread youth unemployment, harnessing globalization to create decent jobs and creating an enabling environment for accelerated expansion of private sector job-creation through increased investments. The papers put forward concrete approaches for decent employment-based poverty reduction programmes in Nigeria:

- * Structurally transforming the economies of communities through labor-intensive technologies, underpinned by productivity enhancements in agriculture and the informal sector.
- * Improving poor people's access to productive resources and requisite human capital to enable them to share in the benefits of growth.
- * Minimizing regulatory obstacles to private investment, domestic and foreign and providing productive infrastructure to make domestic firms competitive in a globalizing environment.
- * Improving political governance to sustain growth, and to facilitate the equitable distribution of income and other economic opportunities, backed by the political will to secure change from traditional attitudes where desirable.

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