



**ROLE OF ENTREPRENEURSHIP IN THE DEVELOPMENT OF SMALL AND  
MEDIUM BUSINESSES IN AN EMERGING COUNTRY: A THEORETICAL  
STANDPOINT**

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**Abstract**

The menace of unemployment has continued to be a serious concern among stakeholders in a populated country such as Nigeria. One concept that scholars and researchers have all agreed to solve the challenge of unemployment in Nigeria is entrepreneurship. Entrepreneurship can be viewed as linking the gap between science and the marketplace, in a way that it will produce novel enterprises, and bring innovative products and services to the market. Entrepreneurship is very vital for buoyant economy and job creation. Starting a business as a small or medium scale

grows gradually when the needed skill and knowledge is gained in order to be a successful business owner. It is from this premise that the study explores various entrepreneurship skills needed in order to execute a smooth running of day to day business activities especially in a populated country like Nigeria. The article also explores the difficulties of entrepreneurs and how these have affected the survival of small and medium businesses in Nigeria. Finally, the study also beam its search light on the nexus between entrepreneurship and development of Small Scale Businesses in Nigeria. The theoretical standpoint of this study is the need for Achievement Theory (n/ACH).The theory state that individual engages in doing things and getting things done which promotes entrepreneurship. Premised on the findings of the study, the study concluded that entrepreneurship is a viable tool for job creation which in turn improves and enrich the economy of the country. It is therefore recommended that government should provide financial support for innovative ideas such that individuals can transform their creative ideas into reality and strong desires to entrepreneurial education at the secondary and tertiary levels is vital for small and medium businesses development in Nigeria.

**KEYWORDS:** Entrepreneurship, Small and Medium businesses, Entrepreneurial Skills, Development

## Introduction

In an emerging country such as Nigeria, the rate of unemployment is becoming unbearable and embarrassing to the nation despite the country known to be the giant of Africa. The resultant effects of unemployment in Nigeria has continued to come in form of terrorism, kidnappings, banditry, banditry, poverty and other social vices (Adegoke, 2015; Usman & Tasmin, 2015; Nwagwu, 2014; Oseni, 2017). One very vital and contemporary concept that scholars and researchers have agreed to ameliorate the scourge of unemployment and improve small and medium businesses is entrepreneurship. According to Reynolds, Camp, Bygrave, Autio, and Hay (2001) Entrepreneurship is geared toward creating novel business either in form of self-employment, enlargement of business that is already in existence by individual or group of people. Entrepreneurship can be viewed when a person search for opportunities, through innovative ideas without concern on the resources available at hand. It is likely to sustain the scope of capital development, job creation and increased industrialisation in a country where there is incessant practice of entrepreneurship (Asaju, Arome & Anyio, 2014).

In recent times, entrepreneurship has attracted immense attention as a result of technological change, outsourcing, and business restructuring. This is because entrepreneurship is perceive as a linking gap between science and the marketplace, as well as creating unique business ideas and bringing together new products and services to the market. Entrepreneurial activities have impacted the economy by boosting economic base and providing jobs. The impact of entrepreneurship in economic growth is so enormous that it change the phase and structure of business in the society. This change is accomplished by the growth and increased output, which gives opportunity for increased wealth which can be shared among diverse people. Hisrich and

Peters (2002) assert that entrepreneur is individual who are interested in change and responds to it and also explore it as an opportunity. In all society, entrepreneurs are well known for their business orientation and not just holder of financial strength. Such people with entrepreneurial instinct are often driven by their ability to see business opportunities and instantly embrace it (Ojewumi, Oyeleke, Agberotimi & Adedayo 2018).

Many reasons have been taunted on why people engage in business. Pride, Hughes and Kapoor (2000) affirm that the widespread ones often mentioned is the “entrepreneurial spirit” that is the ability to engage in novel business ideas, been independent, having a self-determined destiny, family upbringing and the readiness to take up risk and challenges associated with the business. Conversely, there is some factors that energises an individual to start a business, this could include exiting a wage job where there is less avenue to think and earn one’s personal living, job loss, having a knowledge about a new product or a novel and strategic way to sell already existing product. In another way, some people are motivated to start either a small or medium business when they realises they have the necessary ability and knowledge of becoming a successful business owner. There is no hesitation that Nigeria as a nation has realised that entrepreneurship has in no small measure contributed immensely through creating small and medium businesses which have helped reduce poverty, unemployment, wealth creation and development of the economy. This can be seen from the trader money being given to entrepreneurs, market women etc in order to enhance their business plans and strategy by the Federal Government of Nigeria. The small and medium enterprise is an avenue for continued existence and sustainability for the poor, unemployed persons as well as serves as bedrock of entrepreneurship development in the nation.

Afolabi (2018) submitted that SMEs have over the year serves as an avenue for the less vulnerable people to acquire important skill and to increase productivity especially in the private sector extension thereby providing more earning prospects for many of the people that are poor and at the same time improving the income earning of the country. Additionally, Sunusi (2003) affirm that SMEs are important sector of the economy because they accounted for 50 percent of Gross Domestic Product (GDP) of developing economies in the informal sector of any emerging nation including Nigeria. A study done by UNIDO-Nigeria showed that SMEs have the capability of rapidly moving Nigeria economy, and statistics also shown that 17 million SMEs businesses which has employ more than 31million population. Equally, Ilegbinosa and Jumbo (2019) also found that SMEs takes more than 80percent of businesses that occupy about 75percent of the work force in Nigeria. It can be deduced from this report that Nigeria is abundantly bestowed with entrepreneurship prospects, despite this reality, full awareness on the benefit associated with entrepreneurship has been largely affected with inconsistent polices by government at different point in time (Ebiringa, 2012).

## Literature Review

### Concept of Entrepreneurship

Entrepreneurship is a concept originated from the English word ‘‘entreprendre’’ which means to undertake’. Different scholars have defined Entrepreneurship in diverse ways, Adidu and Olannye (2013) defined entrepreneurship as a transformation and creation of unique and innovative ideas galvanised into profit making in an already existing organization. Entrepreneurship has attracted significant recognition worldwide because it helps in aiding economic transformation and employment generation. It is a veritable procedure for poverty eradication and reduction of different social vices in the society. In the word of Shane (2010) entrepreneurship means being an entrepreneur who undertakes innovations, finances and displays business acumen in an effort to transform innovations into economic goods.’’ The end product could come in form of new organizations or may serves as energizing mature organization to response to a seeming opportunity. Oborah (2003) defined entrepreneurship as a genuine option to wage employment and tool for graduate and youth unemployment. According to Oriazowanlan (2013) entrepreneurship has the features of small and medium enterprises in all domain of the economy starting from the agro-based industry to service industry which comprises 97 percent of most businesses in Nigeria. Entrepreneurship follow some procedural stages, namely; beginning of business idea, appraising business opportunities, preliminary starting of the business, fostering the business to grow to maturity, sustaining steadiness of the business growth, extension of the business and improving the quality of business not to fail. The above process is exciting and promising to people who have entrepreneurial mindset.

### Concept of Small and Medium Business

Scholars have given different opinion and summation on small and medium businesses because of the variances in number of employees, market share development sales turnover, fixed capital investment, and available equipment and capital (Ayozie, 2007). The Third Nigerian National Development plan defined a small scale business as an establishment who have not more than 10 people or establishment that does not have equipment worth more than 600,000 thousand. The credit guideline of 1978 of the Central Bank of Nigeria categorise small scale business as business that his or her yearly income does not exceed 500,000. Also, according the World Bank small and medium business are enterprises that it total fixed asset and investment cost does not go far N10 million considering the 1996 price index.

On the other hand, Oni and Daniya (2012) classify Small and Medium Enterprise into (1) Micro/Cottage Enterprises which consist of not more than 10 people or total cost of not more than N1.5 million, including working capital and excluding landing cost N50 million including land cost (2) Small Scale Industry/Enterprises consist of 11 to 100 people with cost not going above (3) Medium Scale Industry/Enterprises are industry with labour size ranging from 101-300 people with total cost not exceeding N50 million excluding landing cost and finally (4) Large Scale/Companies which consist of labour force of over 300 and a total cost of N200

million. It therefore can be said that the development of any enterprise whether micro, small, medium or large is an essential concern for any concerned entrepreneur.

### **Strategy for Enhancing Entrepreneurship Skill**

Entrepreneurship is the act of organising and risking resources such as land, capital and human resources to initiate a business prospect. There are certain skills required that an individual needs to acquire before venturing into entrepreneurship either in small or medium scale in order to have a successful business growth. According to Gontur, Davireng and Gadi (2016) many Nigerian entrepreneurs lack the basic skill required for a successful entrepreneurship growth. This paper looked at the role of creativity and innovations as a means of improving entrepreneurship skill for small and medium enterprises.

**Creativity:** Creativity entails ability to create, bring into reality new and novel through imaginative thinking and skill in order to bring something unique and new (Okpara, 2007). Creativity does not entail creating out of nothing but the ability to come up with new ideas such as merging, altering and reapplying ideas that already exist. Harris (1998) affirms that some ideas are creatively amazing and brilliant while some ideas are just practically good that no one has ever thought of doing. Creativity can also be attitudinal disposition, the ability to accept change and newness, a willingness to play with ideas and possibilities and looking for ways to improve it. Creativity is also a process in which an individual who is creative works tirelessly and constantly puts down ideas and finds solutions, through gradual approach and refinements to their works. A creative mind becomes more creative when they are motivated as a result of their interest and challenge of the situation and not by through external pressures. This is the person's internal passion that makes such person to uniquely create novel things or solve a problem that no one has been able to solve. The entrepreneur's main focus is developing novel products, processes as well as bringing new ideas, products to the market. The entrepreneur engages in imaginative thinking than any other person thinking and being able to come up with a solution that goes beyond everybody's imagination. Entrepreneurs are liable to adapt better and prepare ahead as well as look for possible wide range of alternative routes. They challenge their current status which sometimes could create conflict among their colleagues. It is a gainsaying to say Nigerians are creative but this creativity has not been transformed to development of entrepreneurship of small and medium businesses in Nigeria. Scholars such as Agbara-Aka (2005), Hamilton (2008) and Iyayi (2012), have all come into submission that the growing rate of entrepreneurship in Nigeria has been very slow. This submission negates what is obtainable in developed continents such as Europe, Asia and America where high success of entrepreneurship has been recorded which has helped build their economy in a very strong way. In order to thrive as an entrepreneur in an entrepreneurship world, an individual must be able to create something novel or make something good out of an existing idea as this skill would make such person to be unique, formidable and stand out in the entrepreneurial business.

**Innovation:** In the work of Drucker (1985), he asserts that innovation is important and vital for entrepreneurship. Okpara (2007) also conceptualised innovation as an effort toward contributing something fresh to already existing product or process. The process is already been formed and in use but when it is been changed to works more efficiently or in a different way, then it is said to have undergo innovation. Innovation is the positive utilization of new ideas. Innovation entails new of looking at an ideas, as well as understanding of people better and a better way to take risk and work hard as a result of one's entrepreneurial willingness. An idea is not yet an innovation until it is globally accepted and injected into people daily life. Often time people don't want change but as part of innovation, making people realise the need for this change will mean to convince people that this idea is going to better their lives more than the ones they presently belief on (Opara, 2007). Innovation process often starts with creative thinking. Innovation arises as the need for change in an enterprise occurs. Change its self is common to every dynamic organization and change in this manner means technological change. The change may occur in organizational development characterised with new management which have effect on the production process of such enterprise. Every technological change must be well monitored and managed properly because once it becomes old it tends not to meet up the socio-economic need of the people in the society. An entrepreneur success depends largely on his/her innovative capacity. Innovation in entrepreneurship takes many ways such as new financial services, new distribution, new product and new management technique. In order to have a functional and effective innovation, entrepreneur must ensure that their research unit at all-time have the capacity to embark on research on innovative activities and ideas that will be widely acceptable by the society. It can therefore be said that creativity and innovation are two important skills that an entrepreneur needs to have in order to keep an individual going in the entrepreneurial sojourn and to have a successful entrepreneurial growth.

### **Problems of entrepreneurs and SMEs in Nigeria**

There are various myriad of problem affecting entrepreneurs and SMEs owners in Nigeria. It includes but not limited to:

- **Corruption:** One epidemic problem that has continuously affects Nigeria development of entrepreneurship is corruption. The procurement of government licenses, permits, and payment of taxes and levies have been seriously affected by corruption. The corruption includes paying of bribes and kickbacks. Also, money slated for the funding of entrepreneurship in Nigeria over time has been siphoned by corrupt people.
- **Poor State of the Country's Infrastructure:** Nigeria's infrastructure decay can be considered to be dreadful to both entrepreneurs and the entire country's population. The present infrastructures have worsened and in some instances does not even exist which has make the cost of starting up business to have gone up sporadically. The bad road network has be a challenge to entrepreneurs especially in the agricultural sector who find it difficult to transport their product from the farm to the processing factories. The World

Bank report show that Nigeria's pace of socio-economic development and growth has reduced drastically and this is caused by the irregular power supply which has drastically affected many businesses. The poor power supply has made some entrepreneurs to sought alternate way of generating electricity which has increased implication on the cost of production.

- **Lack of Credit Facilities:** Many of the potential Nigeria entrepreneurs and SMEs go through many challenges and obstacles when trying to access credit for their businesses. Though, there are lot of financial firm that gives business loans to entrepreneur, they usually charge exorbitant interest rates thereby scaring many upcoming entrepreneurs. For instance, in Nigeria banks have made many entrepreneurs experience huge challenge in the course of accessing loans. Other factors include huge collateral conditions given by banks and other lending institutions.
- **Lack of adequate Security:** The security of life and property including entrepreneur have continued to be a serious challenge in Nigeria. This is because an unsafe environment is difficult to run a successful venture. According to Arizona (2009), Nigeria has become an avenue for kidnapping and incessant hostage taking, and unjust harassment. The fear of insecurity in Nigeria has prevented many entrepreneurs from developed world from starting a business in Nigeria, the few ones who initiated their business has relocated to better environment where security is guaranteed.
- **Misplaced priority of Entrepreneurship activity:** The purpose in which an individual start a business tells how much the business will go. In Nigeria, people start business because they want to make fast money or because they feel they can be closer to their friends and family. The passion of starting a business is not always there among entrepreneurs and SMEs owner which makes this business often time not grow or even fold off within a few period of time.

### **Nexus between Entrepreneurship and development of Small Scale Businesses in Nigeria**

The link between entrepreneurship and development of small scale businesses is an interwoven one. It is globally known that entrepreneurship is important to the growth and development of small scale businesses. Scholars such as Thomas and Mueller (2000) Reynolds (1987) have all found positive nexus between growth of the economy and generation of employment among the vulnerable people including women in the society. Entrepreneurship has therefore in the last 30 years reduced bridge this gap by reducing poverty and improving the economy (Naude, 2013).

In 1980s increased unemployment and inflation has been the order of the day in Nigeria thereby affecting the economy growth of the country. Between 1980s and 1990s there has been redefinition of the role of small firms as a result of entrepreneurship. In actual fact, the idea that entrepreneurship and small scale business are closely interwoven have yielded positive association which has indisputably made its way from the early works of Schumpeter. The increase in the number of entrepreneurs has led to significant increase in the growth of small and medium scale businesses. This is so because of the manifestation of unique skill such as been

innovative and creative. Subsequently, Ahiauzu (2010) affirmed that there is a positive connection between entrepreneurship and the development of small scale businesses while Henderson (2007) also supported that entrepreneurship has rapidly been known to be an avenue or platform for the development of small scale businesses. Entrepreneurs create innovative ideas with existing one in order to bring in new product, create new job openings and build new firms that will continue to make entrepreneurial activity stronger which also have implication for strong and buoyant economy. Overall, entrepreneurship has a great association between small scale business and economic growth. From this nexus it can therefore be said that there entrepreneurship have a strong influence in the development of small scale businesses in Nigeria.

### **Theoretical standpoint**

#### **Need for Achievement Theory (n/ACH)**

The study is anchored on the need for achievement theory. McClelland (1961) invented the concept of need for achievement in his book titled “The Achieving society”. The theory states that the energy towards achievement is the one that boost activity for most individuals. The concept of need for achievement refers to a person’s wish for noteworthy achievement. It also refers to ability to select a moderate activities that have the tendency of producing success or activities that can produce or guarantee or maximum personal achievement satisfaction (McClelland, 1961, 1987). McClelland (1961) affirmed that this needs are learned and that it is not culturally or biologically determined. This is why some cultures or society produce more entrepreneurs than other society because of the socialisation process which create a high need for achievement (Miron & McClelland, 1979). McClelland (1987) further state that the need for achievement is culturally attained and is paramount to psychological attribute of any entrepreneurs. This assumption was maintained by evidence showing link between the leader’s achievement motive and firm growth (Minter, Smith & Bracker, 1994). Furthermore, Cassidy and Lynn (1989) advocated that supremacy, competitiveness, status aspiration, work principles and affection for money are the main factors which drive the achievement motive. The need for achievement is unquestionably important to the appealing and increased performance (Lee, 1992). It is often fulfilled by an internal level of success and excellence rather than external rewards (Atkinson, 1964). Linking this theory to the subject matter, we argue that when we have entrepreneurs with high need for achievement in Nigeria, they tend to gain and acquire the necessary skills to initiate new business ideas or develop uniquely existing one which could invariably bring a significant improvement in the growth and development of small and medium scale businesses in Nigeria.

### **Conclusion and Recommendations**

In conclusion, entrepreneurship remains a viable tool for job creation, buoyant economy and development of small and medium enterprises of any nation. It is required that individuals have the required skills that will help improve small and medium size enterprises in Nigeria since it is known that entrepreneurship is a process of creating small and medium sizes of firms or businesses. All over the world, entrepreneurship still remain the key element for business growth



and development. In today world, it took the effort of some great entrepreneur such as Larry Page, Sergey Brin, Brian Acton etc to put some creative ideas together for some businesses to thrive which has continued to help in employment generation and economy sustainability. Therefore, from the forgoing evidence in the literature and the summation from the present study, entrepreneurship can impact positively and develop small scale businesses in Nigeria if adequate attention is given to this concept.

Based on this conclusion, the study recommends that Government as well as policy makers should give adequate attention to entrepreneurship such that they should embark to fix dilapidated infrastructural facilities in the country, starting from the power sector, roads and railways, provision of adequate security and a high sense of citizen belonging. This invariably will increase the number of small and medium business in Nigeria and will diminish the embarrassing statement accounted to Nigeria has been the ‘‘headquarter of poverty in the world’’.

Theoretically, need for achievement can improve an individual passion to acquire the necessary skill for a successful entrepreneurship, it is therefore important for psychologists and other behavioral and management experts who are the custodians of studying human behaviour to organise need for achievement training for youths and graduates who are potential entrepreneurs. This would also improve the need to go into entrepreneurship with the required skill which in turn enhance the grow and develop of more small and medium business in Nigeria. Finally, government should also provide financial support for innovative ideas such that this individual can translate such ideas into reality and a strong commitment to entrepreneurial education at both the secondary and tertiary levels should be introduced in order to improve small and medium businesses development in Nigeria.

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