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ENTREPRENEURSHIP AND THE ROLE OF PUBLIC POLICY

Abstract

The objective of this paper is to highlight the relationship between entrepreneurship, public policy, and economic growth. Entrepreneurship has proven to be a panacea for poverty reduction through employment generation and wealth creation. To begin this paper, an operational definition of entrepreneur and public policy is given, a review of some underlying theories of entrepreneur, a further look at other factors that impact entrepreneurship with particular reference to security and terrorism. A review of relevant literature is carried out, the paper concludes that there has been lack of directional policy co-ordination and as a result not much impact has been made in entrepreneurship development by public policies. It is therefore recommended that entrepreneurship development should be more vigorously pursued by government in order to accelerate economic growth and development through public policies.

Key words: Public policy, entrepreneurship, economic growth and employment

Introduction

Entrepreneurship is a major force that drives the economy of many nations, it is also engine which new ideas are introduced continually into businesses and the market place. Entrepreneurs convert ideas into products and services and ultimately create wealth and reduce unemployment (Schumpeter, 2005). The strength of any nation depends on its ability to create wealth. The wealth creation process lies in the hands of individuals who are innovative. This will translate into capital formation, creating large-scale employment opportunities, promotes balanced regional development, reducing concentration of economic power, stimulating wealth creation and distribution, increasing gross national product and per capita income, improvement in the standard of living, promotes the country's export trade and reducing poverty. Therefore a nation that wants to experience economic growth and reduce poverty needs to understand the impact of entrepreneur on poverty reduction and economic development.

According to some theories of entrepreneurship, there are factors that affect the survival of entrepreneur like availability of bank credit, education & training, government etc. The Economic Theory of Entrepreneurship states that economic growth take place when economic conditions are favourable. Economic incentives are the main motivators of entrepreneurial activities, the incentives include taxation policy, industrial policy, source of finance and raw material, infrastructure availability, investment and marketing opportunities, access to information about market conditions and technology (Anupam, 2011). There is need to examine these factors and create an environment for entrepreneurship to strive. Therefore the proposed study will look at the impact of entrepreneurship on poverty alleviation as well as the factors that affect entrepreneurship.

Entrepreneurship in Nigeria

Entrepreneurship in Nigeria started when people in the rural areas and farming communities produced more products than they needed, as a result they had to exchange these surpluses with those who needed them within their immediate and neighbouring communities. The exchange of goods for goods or services was based on trade by barter, until commodity was used as a medium of exchange. Exchange has encouraged specialisation among producers, and the communities came to realize that they can concentrate on the areas of production they are best fitted. Consequent on the above, the culture of entrepreneurship started in Nigeria (Nicks, 2008; Raimi and Towobola, 2011).

Several policy interventions in Nigeria that were aimed at stimulating entrepreneurship development via small and medium scale enterprises have failed. Instead of building in-country entrepreneurial capacity, entrepreneurs have become distribution agents of imported products.

On account of encouraging entrepreneurial initiatives, the country has experienced exponential growth in the number of private firms. However, majority of these businesses are very small when their operations are measured in terms of capital, employment and revenues (Attahir and Minet, 2000). Added to the above is difficulty confronted by small businesses in accessing bank credits, education and training, unfavourable government policies but the most serious and damaging problem threatening the state of entrepreneurship in Nigeria is a lack of government interest inadequate policy framework and support for micro, small enterprises (Ariyo, 2005; Chu et al., 2008).

Entrepreneurship and economic development

Development is a broad concept which entails the raising of human capabilities

(Sen 1999). One of the cardinal challenges in improving economic development is to increase the standards of living for individuals and growth of the economy as a whole. Though economic growth in itself is a rather narrow target, it is probably one of the most important targets for development policies. It is also one of the measures that is most easy to access for analysts, and probably the best measure to make cross-national (Barro 1991; Sala-i-Martin 1997) and historical (Maddison 2001) analyses of the development of economies. Traditionally the economic output of a country is seen as a function of capital and labour inputs, combined with technical change (Solow 1957).

In traditional models of economic growth investment in capital, labour and technology is sufficient to realize economic growth. New models of economic growth see these investments as a necessary complement to entrepreneurship/ innovation, but not as a sufficient explanation for economic growth in its own right (Nelson and Pack 1999). One could even argue that high rates of investment in human and physical capital are themselves stimulated by effective innovation, and cannot be maintained in the absence of innovation. Recent studies emphasize entrepreneurship as a driver of economic development and some authors include entrepreneurship as a fourth production factor in the macroeconomic production function (Audretsch and Keilbach 2004). Entrepreneurship is the factor that creates wealth by combining existing production factors in new ways. Entrepreneurs experiment with new combinations of which the outcomes are uncertain, but in order to make progress, many new variations have to be tried in order to find out which ones will improve (economic) life (Rosenberg and Birdzell 1986). Other authors have argued that entrepreneurship will only unlock economic development if a proper institutional setting is in place (Baumol 1990; Powell 2008; Boettke and Coyne 2003).

Defining Entrepreneurship

There are different opinions about what constitutes entrepreneurship, especially the distinction between entrepreneurship and small business. The Kauffman Center [Ewing Marion Kauffman Foundation in Kansas City, Missouri, USA] provided the following definition of entrepreneurship as follows:

> *Entrepreneurship is the ability to amass the necessary resources to capitalize on new business opportunities. The term is frequently used to refer to the rapid growth of new and innovative businesses and is associated with individuals who create or seize business opportunities and pursue them without regard for resources under their control. They build something from practically nothing and usually reinvest earnings to expand their enterprise or to create new*

enterprises. Other words that characterize entrepreneurship include innovative, creative, dynamic, risk-tolerant, flexible and growth-oriented.

Public Policies that Impact Entrepreneurship

Public Policy

According to Mbaegbu (2008), many definitions of public policy abound. Dye (1965) and Jones (1977) agree that public policy is a public decision to achieve a purpose. However, policy only lays down the general directive rather than detailed instructions or strategies to follow to achieve the objective. Basically, public policies are formulated by the three arms of government working in concert. Nwizu (1997) simply defines it as a guiding principle which governs action especially repetitive actions, it is a decision as to what should be done and how, when and where. Easton in Chukwuemeka (2001) defines public policy as the authoritative allocation of value of the whole society. Some of these definitions are in one way or the other not adequate. The following policies impacts entrepreneurship:

- General perspective of entrepreneurship.
- Tax and regulatory climate
- Access to capital
- Entrepreneurship education
- Intellectual capital

Factors influencing the growth of entrepreneurship

Competition fostering policies

Government as a regulator develops policy agenda for the purpose of economic development. Some of these policies mitigate entrepreneurship. The policy framework should foster entrepreneurship. Regulations limits entrepreneur opportunities such as taxation, licensing, land ownership, business registration, government subsidies, loan programs through government departments and agencies amongst others impact entrepreneurship development.

Bank credit

Finance plays a key role in the development of entrepreneurship- for start ups and expansion. The availability and accessibility of finance is key to the wellbeing of entrepreneurship.

Education and training

Economic analysts have argued for the need to improve human capital development as it is a foundation for national development. Entrepreneurs need the right information for innovation and creativity.

Social security & Terrorism

No business strives in an environment where there is no peace, no security of lives and properties. The UK the Terrorism Act 2000 defines terrorism as: the use or threat of action designed to influence the government or an international governmental organisation or to intimidate the public, or a section of the public; made for the purposes of advancing a political, religious, racial or ideological cause; and it involves or causes:

- serious violence against a person;
- serious damage to a property;
- a threat to a person's life;
- a serious risk to the health and safety of the public; o
  serious interference with or disruption to an electronic system.

The roles of Entrepreneurship in Economic Development

Developing new markets

Under the new concept of marketing, markets are people who are willing and able to satisfy their needs. Okafor (1995:5) saw marketing as looking at the business through the customer's eyes profitably. In Economics, this is called effective demand. Peterson (1983:14) observed that demand has relationship with prices and quality. Entrepreneurs are therefore resourceful and creative. They can create customers or buyers. This makes entrepreneurs different from ordinary businessmen who only perform traditional functions of management like planning, organising and coordinating.

Discovering new sources of materials

Owning to the entrepreneur's innovative nature, they persist in discovering new sources of materials to improve their enterprises.

Mobile Capital Resources

Entrepreneurs properly mix the factors of production to create goods and services. Capital resources, from a layman's view, refer to money. However, in Economics, capital resources represent machines, buildings, and other physical productive resources. Entrepreneurs have initiative and self-confidence in accumulating and mobilising capital resources for new business or business expansion.

Introducing new technologies, new industries and new products

Apart from being innovators and reasonable risk-takers, entrepreneurs take advantage of business opportunities and transform these into profits.

Creating employment

The biggest employer is the private business sector – factories, services, industries, agricultural enterprises, and the numerous. Small-scale businesses provide millions of jobs.

Summary

This brief paper has attempted to examine the importance of entrepreneurship in economic development in Nigeria; the paper defines entrepreneurship, its role as well as factors influencing the growth of entrepreneurship. The paper is part of a work-in-progress paper.

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