PDF - AN EXAMINATION OF THE IMPACT OF MICRO CREDIT PROGRAMMES ON ENTREPRENEURSHIP DEVELOPMENT IN AKWA IBOM AND CROSS RIVER STATES. - researchcub.info**CHAPTER ONE**

INTRODUCTION

1.1 BACKGROUND TO THE STUDY

Prior to the 1970s, the view that large firms were the cornerstone of a modern economy dominated the literature (Nnanna, 2003). The theory of *economies of scale*, which is predicated on the advantages of large scale operations prevailed. Thus, entrepreneurial business was seen as belonging to the past; out-moded, and a sign of technological backwardness. More recently, however, this view has shifted due to the important role played by relatively small entrepreneurial business firms in promoting industrialization and facilitating sustainable economic growth and development.

The concept of entrepreneurship evokes varying meanings or interpretations, depending on the perspective of the user. However, as Duke (*2006, p.1*), puts it, “an individual who pioneers a new technology or introduces a new method of doing business typifies entrepreneurship. He also is a person that carries on with an existing technology or method, but in an innovative way. The entrepreneur usually undertakes and operates a new business venture and assumes some accountability for the inherent risks”. Thus, an entrepreneur is an integrated person who brings about some changes through innovation for both personal and societal benefit. As such the entrepreneur is a critical factor in driving socio-economic change as he seeks new opportunities, and brings about new techniques, new products and co-ordinates the activities required to manage an enterprise.

In Nigeria, the development of entrepreneurial activities has manifested in virtually all aspects of the economy including micro finance, personal services, food, clothing, ICT, telecommunications, entertainment and hospitality, and agriculture/agro-allied business. These entrepreneurial efforts have contributed to the attainment of some of the nation’s economic development objectives. Such contributions include employment generation for the growing rural and urban labour force, production output expansion, income redistribution, utilization of local raw materials and technology, increase in revenue base of government, as well as production of intermediate goods that help to strengthen inter and intra industrial linkages (Osuji, 2005). Similarly, developed countries such as United States of America, Japan, Germany, Italy, and Britain, have been found to owe their overall economic development to entrepreneurship (Fasua, 2006).

The development and growth of entrepreneurship in Nigeria, has remained a major concern for the government. The importance of a private sector-driven economy can best be described and appreciated from its potential for facilitating food security, employment generation, service delivery, wealth creation and economic empowerment of the citizenry. These are outcomes that are also aligned with the goals of the National Policy on Micro, Small and Medium Enterprises (MSMEs), National Economic Empowerment and Development Strategy (NEEDS), State Economic Empowerment and Development Strategy (SEEDS) and the Millennium Development Goals (MDGs)

Unfortunately, the impediments of entrepreneurship development in Nigeria today include the dearth and paucity of credible and reliable database, weak infrastructure, inconsistent government policies, lack of knowledge of the various laws, policies, or statutes that protect SMEs and which can even help them expand and grow, poor credit administration, corruption, and, lack of capital and/or inadequate funding due mainly to poor access to conventional banking facilities (MSME, 2010). Lack of capital and/or inadequate funding in particular, makes it difficult for entrepreneurs to transform their initiatives, creations and innovations into finished products and services capable of satisfying the needs of consumers. It is universally acknowledged that banks and other financial institutions are only able to provide credit for just twenty five percent of all clients (Fasua, 2006). The situation is even worse for entrepreneurs as only two percent of micro enterprises are being served by the banks (Casson, 1995). In response to this problem, government and the international development agencies have over the years, instituted various programmes, strategies and policies aimed at providing credit to entrepreneurs, with a view to promoting micro, small and medium scale business ventures. Typical among these efforts, are the various micro credit schemes instituted by some state governments, multinational companies (MNCs), United Nations Development Programme (UNDP), United Nation Industrial Development Organization (UNIDO), and private organizations, such as the Tony Elumelu Foundation.

However, the impact of these credit programmes and schemes has so far been unclear. More worrisome is the perception that micro and small scale business sector has still not realized its actual potential in Nigeria. This therefore puts a question mark on the efficacy of the available credit programmes. It is against this background that this study seeks to examine and establish the real contribution of micro credit programmes on the development of entrepreneurship in Akwa Ibom and Cross River States of Nigeria.

1.2 STATEMENT OF THE PROBLEM

In spite of the intervention strategies of government and other development partners, through direct lending or credit guarantee programmes and schemes to micro and small business firms and entrepreneurs, the growth and development of entrepreneurship remains observably low. For instance, Nigeria remains listed among the poorest countries of the world, with unemployment and poverty levels rising increasingly (World Bank, 2010). This is indicative of the inefficacy of micro and small businesses in helping address these problems. Specifically, the micro credit programmes are perceived to be poorly coordinated and managed. The credit administration mechanisms used for the schemes and programmes are generally considered to be weak and non-responsive to the challenges of monitoring and controlling of the lent funds. Also, there are issues of corruption surrounding the management of the funds. Finally, funding of these programmes, especially the ones instituted by State governments, is considered to be poor and insufficient.

1.3 OBJECTIVES OF THE STUDY

The main objectives of the study are:

1. To determine the impact of micro credit programmes on entrepreneurship development in Akwa Ibom and Cross River States.
2. To establish the effect of operating cost on the performance of micro credit programmes in Akwa Ibom and Cross River States.
3. To establish the effect of credit administration on the performance of micro credit programmes in Akwa Ibom and Cross River States.
4. To make recommendations based on the findings of the study.

1.4 RESEARCH QUESTIONS

The following research questions will be relevant to this study:

- To what extent do micro credit programmes affect entrepreneurship development in Akwa Ibom and Cross River States?
- To what extent does operating cost affect the performance of micro credit programmes in Akwa Ibom and

Cross River States?

To what extent does credit administration affect the performance of micro credit programmes in Akwa Ibom and Cross River States?

1.5 RESEARCH HYPOTHESES

Arising from the foregoing, the underlisted hypotheses will be stated for the research:

H_O1: Micro credit programmes do not have a significant effect on entrepreneurship development in Akwa Ibom and Cross River States.

H_O2: Operating cost does not have a significant effect on the performance of micro credit programmes in Akwa Ibom and Cross River States.

H_O3: Credit administration does not have a significant effect on the performance of micro credit programmes in Akwa Ibom and Cross River States.

1.6 SIGNIFICANCE OF THE STUDY

This study will be useful to governments at the various levels, (Federal, State and Local) and their ministries, departments and agencies (MDAs) charged with the responsibility of implementing policies and programmes on entrepreneurship development such as National Bureau of Statistics (NBS), SMEDAN, NDE, NAPEP, NDDC, NASSI, CBN (Development Finance Department), Small and Medium Industry Development Agency (SMIDA) and National Association of Small and Medium Enterprises (NASME), among others.

Secondly, the study will be useful to International Development and Funding agencies, Multinational Corporations (MNCs) operating in the country, and Non-Governmental Organizations (NGOs), which have been partnering and supplementing the efforts of government in providing micro credit for entrepreneurship development in the country. They include United Nations Industrial Development Organization (UNIDO), United Nations Development Program (UNDP), World Bank (SMEs department), Lift Above Poverty (LAPO), and Oil and Gas Companies (Exxon Mobil, Shell, Agip, Chevron, etc), who will find the work a useful intervention document for designing and projecting the extent of their involvement in meeting their social responsibility expectations in their area(s) of operation. Others are private organizations like Tony Elumelu Foundation that recently donated about ~~N2.5billion for the development of Entrepreneurship in Nigeria and Dangote group that has been partnering government in this direction.~~

Thirdly, this study will be of benefit to management scholars in universities, polytechnics and professional bodies as it will enrich the body of literature on micro credit programmes and their impact on entrepreneurship development in Nigeria. The content of this study will also stimulate further research on related subjects.

1.7 ASSUMPTIONS OF THE STUDY

It is assumed that the variables used for the study are appropriate.

It is assumed that the sample selected for the study is truly representative of the population.

The methodology employed in the study is appropriate and replicable.

1.8 SCOPE OF THE STUDY

The study is cross-dimensional as it involves more than one state. Geographically, the study will be limited to Akwa Ibom and Cross River States in South-South Nigeria. The study will limit its scope to the examination of micro credit as a catalyst and a facilitator of micro and small enterprises development in the two states.

1.9 DEFINITION OF TERMS

ENTREPRENEURSHIP: Entrepreneurship is the act of creating a new business in the face of risk and uncertainty, for the purpose of achieving profit and growth by identifying significant opportunities and assembling the necessary resources to capitalize on them (Zimmerer, Scarborough & Wilson, 2013).

MICRO CREDIT: Micro credit is the extension of small loans to active poor people (entrepreneurs) who are unable to access traditional bank loans to engage in self employment projects or to finance micro and small business initiatives, in order to generate income to cater for themselves and others (Edeghe, 2005).

MICRO ENTERPRISES: These are enterprises whose total assets (excluding land and buildings) are less than five million naira, with a workforce not exceeding ten employees (SMEDAN, 2010).

SMALL ENTERPRISES: These are enterprises whose total assets (excluding land and buildings) are above five million naira, but not exceeding fifty million naira, with a total workforce of above ten, but not exceeding forty-nine employees (SMEDAN, 2010).

INNOVATION: This is the act of bringing about changes by introducing new methods, new ideas, new technology and new ways of doing things. It is the ability to apply creative solutions to problems and opportunities to enhance people’s lives.

LATENT CAPACITY: This is an existing capacity for entrepreneurship which is not yet visible or developed.

GROSS DOMESTIC PRODUCT: The GDP is the market value of final goods and services produced within a country at a particular period, usually a year. It is earned domestically, rather than abroad.