Article can be accessed online at http://www.publishingindia.com

Assessing the Factors that Influence Entrepreneurship in Nigeria

Abubakar S. Garba*, Shazali Abu Mansor, Fariastuti Djafar*****

Abstract

The purpose of the paper is to examine factors influencing entrepreneurship both at individual and aggregate level. The approach for data collection has been broken down in two in order to address the differences in using different levels of analysis. At the individual level, survey has been used to collect data. Ordinary lease square method was employed in estimating the coefficients of the variables in the model. While at the aggregate level, time series data were collected from various official sources. Vector autoregressive (VAR) framework was adopted to systematically capture the rich dynamic in multiple time series. Start-up capital and gender were found to be statistically significant in influencing entrepreneurship at individual level. It is also evident that most of the entrepreneurs are driven by opportunity to start up business. The result at the aggregate level shows that there is long run relationship among the variables. The positive influence of unemployment on entrepreneurship is an indication of the presence of necessity entrepreneurship. Poverty and economic growth influenced entrepreneurship negatively. Therefore, the paper reveals the presence of both necessity and opportunity entrepreneurship in the country. There is paucity of studies on this area that integrate individual and aggregate level. Therefore, the paper attempts to fill this research gap and to provide holistic information on entrepreneurship in Nigeria context.

Keyword: Entrepreneurship, Micro and Small Business, Necessity Entrepreneurship, Opportunity Entrepreneurship

Introduction

Many countries are making effort to develop their entrepreneurial base in order to promote private sector and also address some of the fundamental socio-economic challenges. It is expected that entrepreneurship could serve as a catalyst for economic development. The importance of micro, small, and medium enterprises (MSMEs) has been stated repeatedly in terms of productivity and competitiveness of the economies. MSMEs are regarded as the primary source of employment creation, wealth generation, and a source for private sector development. Nigeria has the potential of creating vibrant economy and address different socio-economic challenges through entrepreneurship. It can harness the necessary resources and support the entrepreneurship development like in any developed economy. It was estimated that Nigeria has about 163 million people and almost 70% of this population are classified as poor. Similarly, the problem of unemployment becomes worrisome to both the government and any well meaning citizen of Nigeria. The number of unemployed youths and adults is continuously on the increase. For instance, the unemployment rate in 2000 was 13.1% but it rose to 21.4% in 2010. However, in spite of the increase in both poverty and unemployment rate, it is amazing that the economy of the country has recorded a continuous improvement from 2005 to 2010. Though there was a slight decrease in economic growth in 2008 to 5.98%, it immediately it picked up in the subsequent year to 6.95% (NBS, 2010).

* Department of Business Administration and Management, School of Management Studies, Kano State Polytechnic, Nigeria. Email: abubakarsg@yahoo.com
** Faculty of Economics and Business, Department of Economics, Universiti Malaysia Sarawak, Sarawak, Malaysia. Email: mshazali@feb.unimas.my
*** Faculty of Economics and Business, Department of Economics, Universiti Malaysia Sarawak, Sarawak, Malaysia. Email: dfariastuti@feb.unimas.my

Having large number of poor and unemployed people in the country cannot be a source of outright pessimism. The government can play a crucial role in turning the poor and unemployed into entrepreneurs. But on the contrary ignoring the entrepreneurial potential of these people may further worsen the unfortunate situation and portend a serious danger to the national development. Promoting business formation among these groups of people would help in particularly creating jobs, reducing dependency and high expectation of white collar jobs especially among graduates. It is important to note that there is a great opportunity in the country for entrepreneurship. In a nutshell, promoting entrepreneurial activity will help in addressing the persistent problem of poverty and unemployment. The development of entrepreneurship requires the government to ensure that enabling environment for the micro and small business activities are put in place. At the same time there is a need to understand the factors that affect individual's decision to engage in entrepreneurial activity and consider different levels of analyses when studying entrepreneurship development in a country. It is understood that there is paucity of studies on entrepreneurship that integrate individual and aggregate level. Therefore, the paper attempts to fill this research gap in order to provide holistic information on entrepreneurship development. The objective of this paper is to examine factors influencing entrepreneurship at both individual and aggregate level.

Literature Review

Many researchers have attempted to study the factors affecting entrepreneurship according to level of analysis (Verhuel *et al.*, 2001). Some of these studies look at decision making process of individuals and why they become entrepreneurs while others try to understand the influence of the nature of entrepreneurship at the aggregate level. There are several factors that motivate people to engage in entrepreneurship. In most cases the decision to engage in entrepreneurship is dependent on the individual's ability to identify and mobilize necessary resources. Demographic, socio-economic and cultural environment do influence entrepreneurship development. These factors are very important when formulating policies for entrepreneurial development (Giannetti and Simonov, 2004; Martins and Palau, 2007).

The common problem in business formation is the inability of the prospective entrepreneurs to mobilize start-up capital. It is found that lack of capital prevents a large number of people to become entrepreneurs (Evans and Jovanovic, 1989; Irwin and Scott, 2010; Fonseca, Michaud and Sopraseuth, 2007). Some of the prospective entrepreneurs who are not opportune to access fund from either government or bank cannot start up immediately and some of them lost confidence in the process of sourcing startup capital (Kon and Storey, 2003). Thus, many poor and unemployed people are hindered from realizing their business dreams (Evan and Jovanovic, 1989; Hurst and Lusardi, 2004).

There are studies that try to find out which age group is more likely to engage in entrepreneurship. It is found that the rate of business ownership is higher among people between the ages of 25 to 44 years (Van Es and Van Vuuren, 2010) and people at the ages of 25 to 34 years are more likely to engage in business startup than the older people (Verheul and Van Stel, 2010). The relationship between age and entrepreneurship is more likely to be indirect because of mediating factors (de Kok *et al.*, 2010). The direct relationship is somehow ambiguous due to the mixed results from different studies.

The study of gender is very important considering the need to enhance competitiveness as well as to promote private sector in developing countries because some people believe that business ownership is a male domain. In Africa, women can play an active role in the informal sector of the region (Bardasi, Blackden and Guzman, 2007). Many studies have shown that the relationship between gender and entrepreneurship is statistically significant (Scherer *et al.*, 1990; Leoni and Falk, 2010; Lin *et al.*, 2000; Dawson *et al.*, 2009; Henley, 2005; Startiene and Remeikiene, 2008). It is believed that women are less likely to become entrepreneurs (Lin *et al.*, 2000; Dawson et al., 2009; Startiene and Remeikiene, 2008). Other studies reaffirmed this finding by showing that men are more likely become entrepreneurs (Bergmann and Sternberg, 2007). Researchers across many countries found that there is a significant and positive relationship between education and entrepreneurial performance (Weaver *et al.*, 2006). People who are not educated are more likely to face many challenges particularly in obtaining credit or loan facilities to start up business. Entrepreneurs are more likely to have higher educational attainment than non entrepreneurs (Singh and Crump, 2007).

Entrepreneurial family background also plays a significant role in influencing business start up among family members. There are various studies that examined the relationship between entrepreneurship and entrepreneurial family background (Fairlie and Robb, 2004; Mathews, Schenkel and Hechavarria, 2009; Mathews and Moser, 1995). The parents usually guide and support their children for whatever entrepreneurial activity they have chosen to undertake. Parents' entrepreneurial role is often associated with the individual's business performance. In the US there is a greater probability among children of business owners to start up business than the children of non-business owners (Fairlie and Robb, 2004; Hout and Rosen, 2000; Dunn and Holtz-Eakin, 2000).

Government plays an important role in facilitating entrepreneurship development (Zhang and Yang, 2006; Zhang and Si, 2008). The government support to entrepreneurs is considered as one of the critical factors for business success in South Pacific (Yusuf, 1995). Unfortunately many entrepreneurs are unaware of the availability of government funds and support programs. In some situation the entrepreneurs believe that it is not easy for them to get government assistance or benefit from any program initiated by the government in support of entrepreneurship development (Rose, Kumar and Yen, 2006).

Apart from socio demographic factors influencing entrepreneurship at individual level, there are other macroeconomics variables that shape nature of entrepreneurship in the country. The pattern and type of entrepreneurs are based on how these variables affect entrepreneurship in the country. For instances harsh economic situation can push people to engage in entrepreneurship, while some people may be pulled or attracted by the existing business opportunity. The former situation refers to "refugee/ shopkeepers' effect" and the later refers to "Schumpeterian/pull effect". These hypotheses provide the basic understanding of the relationship between entrepreneurship and macroeconomic factors such as poverty, unemployment and economic growth (Audretsch *et al.*, 2001).

Someone may decide to engage in micro and small scale business in order to sustain a living and may want to escape from poverty trap. They may become entrepreneurs to productively and economically contribute to the society. The presence of unfavourable economic conditions may cause many people to engage in entrepreneurial activities. That is why the rate of entrepreneurial activity is higher in developing countries than in the developed countries. It is found in Uganda and Sri Lanka that poverty significantly influences entrepreneurial activity (Rosa, Kodithuwakku and Balunywa, 2006). But still in Uganda, Mulira, Namatovu and Dawa (2011) discover a negative and significant relationship between poverty and entrepreneurship. Block and Sandner (2009) and Wanger (2005) in Germany and Verheul, Thurik, Hessel and Zwan (2010) in 27 European countries and the US found that there was more opportunity than necessity entrepreneurs.

Similarly, there is a strong relationship between unemployment and entrepreneurship. The rate of business start up among poor and unemployed people is very important issue in public policy (Audretsch and Jin, 1994). That is why government provides necessary supports to this group of people to start up business in both developed and developing countries. The relationship between entrepreneurship and unemployment reveals two ways of relationships. One strand shows that unemployment stimulates entrepreneurial activity while the other strand shows that high entrepreneurial activity will reduce unemployment. In 23 OECD countries Audretsch *et al.* (2001) found that unemployment is positively related to greater propensity for a new firm start up while Garofi (1994) in the UK, Audretsch and Fritsch (1994) in Germany revealed that unemployment is negatively related to new firm start up. Audretsch and Thurik (2000) have shown that new business start up could possibly generate employment and consequently reduce unemployment. Hamilton (1989) and Faria, Cuestas and Mourelle (2010) suggest that the relationship between entrepreneurship and unemployment can be non-linear and Carree (2002) in the US found that there is no significant relationship between the variables.

The work of Schumpeter can be good starting point for understanding the relationship between entrepreneurship and economic growth. According to Schumpeter, entrepreneurs are those creating disequilibrium through innovation which affects country's economic growth. It is the opportunity entrepreneurs that innovate and make high impact to the economy (Mojica-Howell, Whittaker, Gebremedhin and Schaeffer, 2012; Jones-Evans, Brooksbank and Aaron, 2006). Economic prosperity can be expected if a country achieved high economic growth. In the period of high growth, consumption and investment is expected to increase (Hartog, Parker, Stel

and Thurik, 2010). The increase in consumer demand and services due to economic prosperity will further create opportunities for entrepreneurs (Audretsch and Keilbach, 2004). Conversely, low economic growth creates necessity entrepreneurs who start up business because of some unfavourable economic condition. The relationship between entrepreneurship and economic growth can be explained using U shaped curve hypothesis (Bosma *et al.*, 2008; Koster and Rai, 2008; Wennerkers *et al.*, 2005). This hypothesis shows that in the early stage of development there will be higher rate of business creation but as the country's GDP per capita increases there will be a decrease in the rate of business creation.

Methodology of the Study

In order to address the differences in using two different levels of analysis, the methodology for this study has been broken down in two as follows:

At the Individual Level

The population of this study is composed of micro and small enterprises operating in Kano State. Purposive sampling technique was used to select 500 entrepreneurs as samples. Survey is conducted in Kano state to collect data using structured questionnaire. Multiple linear regression method is selected for estimation of the parameters. Kolmogorov- Smirnov and Sphapiro- Wilk and Spearman's rank correlation were employed to understand the nature and properties of the data.

Regression Model Specification

$$EN_1 = \beta_o + \beta_1 SCP + \beta_2 GD + \beta_3 AG + \beta_4 EA + \beta_5 EB + \beta_6 UE + \beta_7 PI + \beta_8 GS + \mu \quad (1)$$

where

EN_1 = Entrepreneurship
SCP = Start-up capital
GD = Gender
AG = Age
EA = Educational attainment.
EB = Entrepreneurial Family background
UE = Unemployment experience.
PI = Previous income
GS = Government support

Defining and measuring the dependent variable (EN_1)

EN_1: Business ownership is adopted as proxy for entrepreneurship as employed by other previous studies (Stel *et al.*, 2006; Mondragon-Valez and Pena, 2009). It is measured by the amount of capital employed by the entrepreneurs.

At the Aggregate Level

Time series data for 31 years have been collected for all the variables from relevant official sources. Vector autoregressive (VAR) framework is used to provide a systematic way of capturing the rich dynamic in multiple time series. It is useful in data description, forecasting, structural inference and policy analysis (Stock and Watson, 2001; Gujarati and Porter, 2009). The tests conducted were unit root (augmented Dickey-Fuller and Phillips-Perron), Johansen and Juselius (1990) cointegration and error correction model (ECM).

Econometrics model specification

$$\text{LogEN}_2 = \beta_o + \beta_1 \text{logPV} + \beta_2 \text{logUE} + \beta_3 \text{logEG} + \mu \quad (2)$$

where

logEN_2 = logarithm of Entrepreneurship
logPV = logarithm of Poverty
logUM = logarithm of Unemployment
logEG = logarithm of Economic growth

Defining and measuring the dependent variable (EN_2)

EN_2: New business creation is used as a proxy for entrepreneurship as adopted by the previous studies (Wang, 2006; Sternberg and Wennekers, 2005; Lafuente and Driga, 2007). It defined as the number of micro and small business created annually in the country.

Results and Discussion

At the individual level, the initial estimation shows that some of the variables in the model were not statistically significant. Therefore, the model has been re-estimated to include only the significant variables in order to have a more robust and reliable estimation as shown in Table 1.

The re-estimated model shows that start-up capital and gender are positively and significantly related to

entrepreneurship. The positive relation between startup capital and entrepreneurship is consistent with the result of Evan and Jovanovic (1989) and Buera (2009) in the US. The importance of startup capital on the rate of business startup is being repeatedly emphasized by various researchers such as Buera (2009) and Hurst and Lusardi (2004). Many people are constrained by lack of startup capital to engage in entrepreneurial activity.

Table 1: Multiple Regressions Result (re-estimation)

Variables	*β*	*Std. error*	*t-statistics*
Constant	1.977	.479	4.131***
SCP	867	.039	22.205***
GD	.250	.107	2.338***
R= .713	R^2 = .508	F=257. 015 (0.00)	

Entrepreneurs use various sources to finance their business depending on their economic status. Some of them turned their assets into capital, but it is noticed that most of micro and small entrepreneurs used personal savings from their previous employment. Similarly, it was found in the US that there is a positive correlation between asset and probability to start up business (Evan and Jovanovic, 1989). This means that people who have assets or income are more likely to partake in entrepreneurship than those without either assets or income. The data also reveals that only very few entrepreneurs (4.4%) were able to get money from bank and government to finance their business (see Table 2). Similar result was found in France where majority of the entrepreneurs (70%) have not accessed bank loan. Small business entrepreneurs are more likely to suffer liquidity constraints than big business owners (Evans and Jovanovic, 1989 and Fazzari *et al.*, 1987).

Table 2: Frequency Distribution of Business Information

Items	*Frequency*	*Percent%*
Official Status of the Business		
Not Registered	313	62.6
Registered	187	37.4
Startup Capital		
<N100,000	280	56
N100,000-N400,000	109	21.8
N400, 001 - N800, 000	55	11
N800, 001 - N1, 000, 000	28	5.6
N1, 000,001 and above	28	5.6
Main Source of Startup Capital		
Bank loan	14	2.8
Government	8	1.6
Personal savings	294	58.8
Family and friends	177	35.4
Other sources	7	1.4
Present Capital Employed		
<N100, 000	185	37
N100, 000 – N500, 000	149	29.8
N500, 001 - N1, 000,000	95	19
N1, 000,001 –N10, 000,000	62	12.4
N10, 000,001 and above	9	1.8

*Source: *Field survey 2011*

*Note: *US$1 is equivalent to N157*

The problem of microfinance the country lingered for a very long time. There are indications that both federal and the state government have made several efforts to provide financial support to the poor, unemployed and micro entrepreneurs. For instance, the federal government came up with microfinance policy as a framework to ensure availability of microfinance to entrepreneurs. But it is observed that microfinance institutions operating in the country fail to provide the necessary loan facilities to the poor and unemployed to be able to start up their business. This kind of problem is not peculiar to Nigeria because similar cases are found in UK and the US where banks failed to process and issue loan to micro and small entrepreneurs. The inability of the banks to issues loan to entrepreneurs was largely because of the information asymmetry and moral hazard (Cowling and Mitchell, 2003; Steijvers *et al.*, 2010).

Moreover, the result shows that gender have positive and significant influence on entrepreneurship. This finding indicates that men are more likely to engage in entrepreneurship than women. The result is consistent with the findings of Mulira *et al.* (2011); Scherer *et al.* (1990); Henley (2005); Bergmann and Sternberg (2007) and Leoni and Falk (2010). In another study involving 34 countries, it is revealed that men are more active in entrepreneurship than women in all the countries. In other countries such as Hong Kong, Slovenia, Japan, Ecuador, Uganda and Peru, the participation of women in entrepreneurship varies and is not up to 40%.

However, in Kano state several factors are found to be curtailing women participation in entrepreneurship. For instance women are not free to engage in business like their men counterpart. Women's decisions are mostly

being influenced by their parents or husbands. Until recently, much importance has not been attached to women enterprise in the Northern region. The low participation of women is largely as result of the religious influence. Islam is the dominant religion in the state and in line with the Shari'a dictates men are considered to be responsible for providing all the necessary things such as food, shelter, and clothing to their immediate family members. Perhaps that is why women are reluctant to partake in entrepreneurial activity especially if their husbands are well to do. It is also reported that in some parts of Africa women cannot even own or inherit land, house or any other properties in their own right under the existing laws (Bardasi *et al.*, 2007). This means that the women seclusion for entrepreneurial activity is not only common to Kano but it can be seen in other states in Northern Nigeria and many African countries. In general, women contribute little in exploiting the economic potentials of Africa region. And this problem contributes to the low economic growth and high poverty incidence in the continent. But presently, gender is becoming very important issue in entrepreneurship development particularly in the informal sector.

Apart from these factors affecting entrepreneurial activity at the individual level, presently the Nigerian economy is characterized with diverse socio-economic challenges as earlier highlighted in the introductory part of the paper. These challenges contribute to a great extent in limiting country's entrepreneurial performance. The results at aggregate level show that entrepreneurship, poverty, unemployment and economic growth have long run equilibrium relationship using Johansen cointegration test (see Table 3B).

Table 3: Lag Selection, Co-integration Result and Hypothesis Testing

(A) ***Lag selection***					
Lag length		*SIC*			
0		3.290467			
1		-2.627118*			
(B) ***Johansen multivariate test***					
H_o	H_A	*Max eigenvalue*	*95% CV*	*Trace*	*95% CV*
r = 0	r = 1	28.98**	27.58	48.92**	47.86
r ≤ 1	r = 2	15.09	21.13	19.94	29.80
r ≤ 2	r = 3	4.78	14.26	4.84	15.49
r ≤ 3	r = 4	0.06	3.84	0.06	3.84
(C) Normalizing equation					
Variables	*LogEN*	*LogPV*	*LogUE*	*LogEG*	
	-1.00	*- 0.13*	*0.96*	*-0.21*	

Notes: *r indicates number of cointegreting relationships. Asterist (**) indicate 5% level of significance. SIC refers* to Schwarz Information Criterion. Asterisk* denotes the optimum lag selected for VAR estimaton in Eviews

Table 3(C) shows the normalized equation indicating the long run elasticity of each variable. It can be seen that poverty has negative influence on entrepreneurship. This negative effect supports the findings of Mulira *et al.* (2011) in Uganda, Rosa *et al.* (2006) in Uganda and Sri Lanka, Block and Sandner (2009) and Wagner (2005) in Germany, and Verheul *et al.* (2010) in 27 European countries and the US. The finding confirms the existence of opportunity entrepreneurs in the country. This also means that as poverty cannot stimulate entrepreneurial activities among the poor.

Since the majority of Nigerians (about 70%) are classified as poor, it is expected that they can be motivated or pushed to engage in entrepreneurial activity. But this is not attainable as most the poor are facing difficulties in starting a business due of lack of capital. There were several attempts by the government to provide microfinance to the poor people with a view to reduce poverty in the country. Many policies and programs such as National Poverty Eradication Program (NAPEP), Poverty Alleviation Program (PAP), Family Economic Advancement Program (FEAP) and Family Support Program (FSP) were in place but they all failed to provide significant impact in reducing the high rate of poverty. In the same vein the millennium development goal of halving poverty may not be attained if large numbers of the poor people are not empowered economically through entrepreneurship.

It also appears that unemployment influences entrepreneurship positively. This indicates that as unemployment is increasing, the rate of entrepreneurship is also increasing. This result supports the findings of Yamawaki (1990) in Japan, Audretsch *et al.* (2001) in 23 OECD countries, Highfield and Smiley (1987) and Evan and Leighton (1989) in US, Ritsila and Tervo (2002) in Finland, and Reynolds *et al.* (1994) in France, Germany, Ireland, Italy, Sweden, UK and US. This means that unemployed people are being pushed to start up their business thereby increasing the number of business created. The unemployed people may have two options to exercise. They can either to start up their business to earn income or continue looking for employment opportunities elsewhere. But there are many factors that can affect their decision to start a business. The extent to which unemployed people turn into productive entrepreneurs is very important in public policy debates (Audretsch and Jin, 1994). Similarly, the

government tries various policies and programs in order to reduce unemployment by supporting the unemployed people to become entrepreneurs. Some of these efforts include the formation of National Directorate for Employment (NDE) in 1986 and the recent introduction of entrepreneurship courses in all tertiary institutions in the country. The purpose of the entrepreneurial training is to provide a means of relieving graduates from the problem of unavailable vacancies in the labor market. Upon graduation they will become entrepreneurs by starting their business.

It is also found that economic growth affects entrepreneurship negatively. Other previous studies indicate that the relationship between entrepreneurship and economic growth is more likely to be positive for developed countries and negative for developing countries (Acs, 2007; Acs, Desai and Hessels, 2008). In this case the negative relationship reflects the left hand side of U curve shaped hypothesis for developing countries and is supported by the findings of Carree, Stel, Thurik and Wennekers (2002), Stel *et al.* (2004), Wennekers *et al.* (2005) Naude *et al.* (2012) and Acs (2007) in GEM countries and Koster and Rai (2008) in India. This result further shows that as the country's economic growth is increasing the rate of necessity entrepreneurship is decreasing. In most cases necessity entrepreneurs do not have necessary interest and enthusiasm to sustain their business due intense competition in the market.

Moreover, the failure of the government to provide enabling environment could seriously affect entrepreneurship development. It is apparently noticed that both the opportunity and necessity entrepreneurs are suffering from infrastructural deficiency in the country. There are no sufficient infrastructural facilities that support entrepreneurial activity particularly among the less privileged poor and unemployment. Lack of electricity supply creates a lot of difficulties and lead to the exit of many people from entrepreneurship.

The results of the diagnostic test for the time series data are shown in Table 4 which indicates that the estimated residuals are normally distributed. The model is robust and satisfactory. The residual are serially uncorrelated, the model is correctly specified and there is no evidence of heteroscedesticity of variance.

Table 4: Diagnostic Test

AR	*ARCH*	*RESET*	*JB*	*White*
1.050	0.349	0.998	0.858	0.905
(0.365)	(0.907)	(0.327)	(0. 651)	(0.538)

Note: *AR and ARCH are the Lagrange multiplier tests for serial autocorrelation and ARCH effect respectively. RESET refers to Ramsey Reset specification test. JB is the Jarque Bera statistics for residual normality test and White refers to White general heteroscedesticity test. Figures in parenthesis are p- value*

Conclusion

It is interesting to ascertain whether entrepreneurship could be relevant and necessary in addressing Nigeria's socio-economic problems. The paper attempts to examine the factors influencing entrepreneurship at both individual and aggregate level. It contributes significantly in providing holistic information for effective policy formulation for entrepreneurship development. It also adds value to the theory and literature of entrepreneurship in the Nigeria context. Startup capital and gender are found to be statistically significant in influencing entrepreneurship at individual level. It is also discovered that micro and small entrepreneurs find difficulties in accessing microfinance from either government or bank. Most of the entrepreneurs are driven by opportunity to start up business.

At the aggregate level, there is long run relationship among all the variables. The positive influence of unemployment on entrepreneurship entry is an indication of the presence of necessity entrepreneurship. Therefore, the paper reveals the presence of both necessity and opportunity entrepreneurship in the country. The necessity entrepreneurs could create job and income in the short run thereby reducing the social problem. But they may quit entrepreneurship when the situation changes. The necessity entrepreneurs often have feelings of dissatisfaction about their entrepreneurial involvement and may exit from entrepreneurship as soon as they get alternative paid job while opportunity entrepreneurs are innovative, they are likely to sustain their business. This type of entrepreneurs may promote country's economic growth and development.

Schumpeter's theory of economic development is based on the assumption that through innovation entrepreneurs can stimulate economic growth. But necessity driven entrepreneurs are not likely to be innovative. Therefore

this kind of entrepreneurship cannot stimulate the desired economic growth in the country. The unexpected negative relationship between entrepreneurship and poverty shows that poverty may not necessarily cause people to engage in entrepreneurship if there is no capital for business start up.

Practical Implications and Direction for Further Research

In view of the difficulties faced by the poor and unemployed in accessing fund for business starting up, there is need for the government to evaluate the existing policy on micro, small and medium enterprises. It is imperative to ascertain the weaknesses of the policy and provide necessary measures to ensure promotion of entrepreneurial activity in the country. Women participation in entrepreneurial activity should be encouraged through provision of training and finance. The government should take full responsibility of boosting electricity generation and supply so as to make Nigerian business environment conducive for entrepreneurial activity.

This paper provides sufficient evidence on the factors that influence entrepreneurship in Nigeria. There is need for future researchers conducting similar study to look at only one sector at a time and ascertain on how entrepreneurship is being affected rather than taking analysis on the whole sectors of the economy. Moreover, it is also important to consider the diversity and heterogeneity of Nigeria by conducting a survey that will draw data from every state in the country in order to get sufficient information on entrepreneurship development. The use of new business creation as a proxy for entrepreneurship development may not be correct because it is not easy to distinguish between legal and illegal business activity among the businesses created.

References

Acs, Z. J. (2007). *How Entrepreneurship is Good for Economic Growth?* A Paper Presented at the 25th Economic Conference of Progress Foundation Co sponsored by American Institute for Economic Research (AIER) in Great Barrington, Massachusetts.

Acs, Z. J., Desai, S. & Hessels, J. (2008). Entrepreneurship, economic development and institutions. *Small Business Economics,* 31(1), 219-234.

Audretsch, D. B. & Thurik, A. R. (2000). Capitalism and democracy in the 21st century: From the managed to the entrepreneurial economy. *Journal of Evolutionary Economics,* 10(1-2), 17-34.

Audretsch, D. B., Carree, M. A. & Thurik, A. R. (2001). Does Entrepreneurship Reduce unemployment? Tinbergen Institute Discussion Paper TI 2001-074/3, Rotterdam.

Audretsch, D. B. & Fritsch, M. (1994). The geography of firm births in Germany. *Regional Studies*, 28(4), 359-365.

Audretsch, D. B. & Keilbach, M. (2004). Entrepreneurship Capital- Determinants and Impact on Regional Economic Performance. MPI Discussion Paper No. 3704, Max Planck Institute of Economics, Jena.

Audretsch, D. B. & Jin, J. (1994). A reconciliation of the unemployment- New firms start up paradox. *Small Business Economics,* 6(5), 381-385.

Bardasi, E., Blackden, C. M. & Guzman, J. C. (2007). *Gender, Entrepreneurship and Competitiveness in Africa*. African Competitiveness Report at World Bank.

Bergmann, H. & Sternberg, R. (2007). The Changing Face of Entrepreneurship in Germany. *Small Business Economics*, 28(2), 205-221.

Block, J. & Sandner, P. (2009). Necessity and opportunity entrepreneurs and their duration in self-employment: Evidence from German micro data. *Journal of Industry Competition and Trade*, 9(2), 117-137.

Bosma, N., Acs, Z. J., Autio, E., Coduras, A. & Levie, J. (2008). Executive Report, Global Entrepreneurship Monitor (GEM).

Buera, F. J. (2009). A dynamic model of entrepreneurship with borrowing constraints: Theory and evidence. *Annals of Finance Journal*, 5(3), 443-464.

Carree, M. (2002). Does unemployment affect the number of establishments? A regional analysis for U.S. states. *Regional Studies*, 36(4), 389-398.

Carree, M. A., van Stel, A. J., Thurik, A. R. & Wennekers, A. R. M. (2002). Economic development and business ownership: An analysis using data of 23OECD countries in the period 1976-1996. *Small Business Economics,* 19(1), 271-290.

Cowling, M. & Mitchell, P. (2003). Is the small firm loan guarantee scheme hazardous for banks of helpful to small business? *Small Business Economics,* 21(1), 63-71.

Dawson, C., Henley, A. & Latreille, P. (2009). Why do Individuals Choose Self employment? Discussion Paper 3974. Retrieved from http/ftp.iza.org/dp3974.

De Kok, J. M. P., Ichou, A. & Verheul, I. (2010). New Firm Formation: Does the Age of Founders Affect Employment Creation? SCALES and EIM Financed Research No H201015.

Duun, T. A. & Holtz-Eakin, D. J. (2000). Financial capital, human capital and transition to self employment: Evidence from intergenerational Links. *Journal of Labor Economics*, 18(2), 282-305.

Evans, D. S. & Jovanovic, B. (1989). An estimated model of entrepreneurial choice under liquidity constraints. *Journal of Political Economy*, 97(4), 808-827.

Evans, D. S. & Leighton, L. S. (1989). Some empirical aspects of entrepreneurship. *American Economic Review,* 79(3), 519-535.

Fairlie, R. W. & Robb, A. M. (2004). Families, Human Capital, and Small Business: Evidence from the Characteristics of Business Owners Survey. IZA Discussion Paper No. 1296.

Faria, J. R., Cuestas, J. C. & Mourelle, E. (2010). Entrepreneurship and unemployment: A non-linear bi-directional causality. *Economic Modelling*, 27(5), 1282-1291.

Fazzari, S., Hubbard, R. & Petersen, B. (1987). Financing Constraints and Corporate Investment. NBER Working Paper No 2387.

Fonseca, R., Michaud, P. & Sopraseuth, T. (2007). Entrepreneurship, Wealth, Liquidity Constraints and Start-up Costs. The Institute for theSstudy of Labour (IZA) Discussion Paper No. 2874.

Garofi, G. (1994). New firm formation and regional development: The Italian case. *Regional Studies*, 28(4), 381-394.

Gianneti, M. & Simonov, A. (2004). On the determinants of entrepreneurial activity: Social norms, economic environment and individual characteristics. *Swedish Economic Policy Review,* 11(2), 269-313.

Gujarati, D. N. & Porter, D. C. (2009). *Basic Econometrics.* Singapore: McGraw- Hill Companies Inc.

Hamilton, R. T. (1989). Unemployment and business formation rates: Reconciling time series and cross section evidence. *Environment and Planning,* 21(2), 249-255.

Hartog, C. Parker, S., Stel, A. & Thurik, R. (2010). The Two Way Relationship between Entrepreneurship and Economic Performance. EIM Research Report H200822, July 2010.

Henley, A. (2005). Job creation by the self employment: The roles of entrepreneurial and financial capital. *Small Business Economics,* 25(2), 175-196.

Highfield, R. & Smiley, R. (1987). New business starts and economic activity: An empirical investigation. *International Journal of Industrial Organization*, 5(1), 51-66.

Hout, M. & Rosen, H. (2000). Self employment, family background and race. *Journal of Human Resource*, 35(4), 670-692.

Hurst, E. & Lusardi, A. (2004). Liquidity constraints, wealth accumulation and entrepreneurship. *Journal of Political Economy*, 112(2), 319-347.

Irwin, D. & Scott, J. M. (2010). Barriers faced by SMEs in rising Bank finance. *International Journal of Entrepreneurial Behavior and Research,* 16(3), 245-259.

Johansen, S. & Jesulius, K. (1990). Maximum likelihood estimation and inference on co-integration- with application to the demand for money. *Oxford Bulletin of Economics and Statistics*, 52(2), 169-244.

Jones-Evans, D., Brookbark, D. & Aaron, E. (2006). Public Support Programmes for High growth Business in the UK: An Exploratory Study. National Entrepreneurship Observatory, GEM Wales paper series No 7.

Kon, Y. & Storey, D. J. (2003). A theory of discouraged borrowers. *Small Business Economics,* 21(1), 37-49.

Koster, S. & Rai, K. (2008). Entrepreneurship and economic development in a developing country: A case study of India. *Journal of Entrepreneurship,* 17(2), 117-137.

Lafuente, E. M. & Driga, O. (2007). Report on Entrepreneurial Activities in Romania. CEBR working Paper Series 01-2007.

Leoni, T. & Falk, M. (2010). Gender and Field of Study as Determinants of Self-employment. *Small Business Economics*, 34(2), 167-185.

Lin, Z., Picot, G. & Compton, J. (2000). The entry and exit dynamics of self-employment in Canada. *Small Business Economics,* 15(2), 105-125.

Martin, S. L. & Paula, S. (2007). Indicators for measuring entrepreneurship: A proposal for a scoreboard. *Industry and Higher Education Journal*, 21(1), 85-97.

Mathews, C. H. & Moser, S. (1995). Family background and gender: Implication for interest in small firm ownership. *Entrepreneurship and Regional Development,* 7(2), 365-378.

Mathews, C. H., Schenkel, M. T. & Hechavarria, D. M. (2009). Family background and influence on nascent entrepreneurs. *International Studies in Entrepreneurship*, 23(1), 51-67.

Mojica-Howell, M. N., Whittaker W. L., Gebremedhin, T. G. & Schaeffer, P. V. (2012). Examining the Bidirectional Relationship Between Entrepreneurship and Economic Growth: Is Entrepreneurship Endogenous? Entrepreneurship- Born, Made and Educated, Prof. Thierry Burger-Helmchen (Ed.). ISBN: 978-953-51-0210-6. Retrieved from http://www.intechopen.com/books.

Mondragon-Velez, C. & Pena, X. (2009). Business Ownership and Self Employment in Developing Countries: The Colombian Case. In Lerner, J. & Schoar, A. (ed.), *International Differences in Entrepreneurship*. University of Chicago Press. *Retrieved from* http://www.nber.org/books/lern08-2.

Mulira, F., Namatovu, R. & Dawa, S. (2011). Panacea or Precipitate. The Entrepreneurship and Poverty Paradox. *Retrieved from* www.aibuma.org/proceedings.

Naude, W., Amoros, J. E. & Cristi, O. (2012). Surfeiting, the Appetite May Sicken: Entrepreneurship and the Happiness of Nations. UNU MERIT Working Paper 2012-2013.

NBS. (2010). *The Review of the Nigerian Economy*. National Bureau of Statistics.

Ritsila, J. & Tervo, H. (2002). Effects of unemployment on new firm formation: Micro level panel data evidence from Finland. *Small Business Economics Journal*, 19(1), 31-40.

Reynolds P., Storey, D. J. & Westhead, P. (1994). Cross national comparisons of the variation in new firm formation rate. *Regional Studies*, 28(4), 443- 456.

Rosa, P. J., Kodithuwakku, S. & Balunywa, W. (2006). Entrepreneurial motivation in developing countries: What does Necessity and Opportunity Really Mean. *Frontier of Entrepreneurship Research*, 26(20), Chapter 20, Micro Entrepreneurship.

Rose, R. C., Kumar, N. & Yen L. L. (2006). The dynamics of entrepreneur's success factors in influencing venture growth. *Journal of Asian Entrepreneurship and Sustainability,* 2(3).

Scherer, R. F., Brodzinski, J. S. & Wiebe, F. A. (1990). Entrepreneur career selection and gender: A socialization approach. *Journal of Small Business Management*, April, 28(2), 37-71.

Singh, R. P. & Crump, M. E. S. (2007). Educational attainment: A key factors for improving the lagging rate of black entrepreneurship. *The Review of Black Political Economy,* 34(3), 217-229.

Startiene, G. & Remeikiene, R. (2008). Gender gap in entrepreneurship. *Inzinerine Ekonomika-Engineering Economics*, (5), 95-103.

Steijvers, T., Voordeckers, W. & Vanhoof, K. (2010). Collateral, relationship lending and family firms. *Small Business Economics,* 34(3), 243-259.

Stel, A., Carree, M. & Thurik, R. (2004). The Effect of Entrepreneurship on National Economic Growth: An Analysis Using the GEM Database. SCALES paper N200320.

Stel, A., Thurik, R. & Verheul, I. (2006). Explaining Female and Male Entrepreneurship at the Country Level, Scales Research Reports N200510, EIM Business and Policy Research.

Sternberg, R. & Wennekers, S. (2005). Determinants and effects of new business creation using global entrepreneurship monitor data. *Small Business Economics*, 24(3), 193-203.

Stock, J. H. & Watson, M. W. (2001). Vector Autoregressions. *Journal of Economic Perspective,* 15(4), 101-115.

Van, Es, F. & Vuuren, D. Van. (2010). *A Decomposition of the Growth in Self-Employment*. CPS Discussion Paper No 145 March 2010.

Verheul, I. & Van-Stel, A. (2010). *Entrepreneurial Diversity and Economic Growth*, in Bonnet et al (eds). Edward Elgar.

Verheul, I., Thurik, R., Hessel, O. & Zwan, P. Van. der. (2010). *Factors Influencing the Entrepreneurial Engagement of Opportunity and Necessity Entrepreneurs*. Retrieved from http://www.entrepreneurship-sme.eu.

Verheul, I., Wennekers, S., Audretsch, D. & Thurik, R. (2001). An Eclectic Theory of Entrepreneurship. *Tinbergen Institute Discussion Paper No. TI 2001-030/3.*

Wagner, J. (2005). "Der Noth Gelorchand, Nicht Dem Eignen Tried"- Necessity and Opportunity Entrepreneurs in Germany: Evidence from the Regional Entrepreneurial Monitor. *IZA Discussion Paper No 1608.*

Wang, S. (2006). Determinant of new firm formation in Taiwan. *Small Business Economic,* 27(4), 313-321.

Wennekers, S., Van stel, A, Thurik, R. & Reynolds, P. (2005). Nascent entrepreneurship and the level of economic development. *Small Business Economics,* 24(3), 293-309.

Weaver, M., Dickson, P. & Solomon, G. (2006). Entrepreneurship and Education: What is Known and Not Known about the Links Education and Entrepreneurial Activity. The Small Business Economy: A Report to the President. Chapter 5 U.S Small Business Administration. Office of Advocacy, December, 2006

Yamawaki, H. (1990). The Effects of Business Conditions on Net Entry: Evidence from Japan, in P.A. Geroski and J. Schwalbach (eds.), *Entry and Market Contestability: An International Comparison*, Oxford: Basil Blackwell.

Yusuf, A. (1995). Critical success factor for small business: Perception of South Pacific entrepreneurs. *Journal of Small Business Management,* 33(2), 68-73.

Zhang, Y. & Si, C. (2008). The impacts of external factors on the growth of Chinese entrepreneurial enterprises: An empirical study. *Journal of Small Business and Enterprise Development,* 15(4), 689-703.

Zhang, Y. & Yang, J. (2006). New venture creation: Evidence from an investigation into Chinese entrepreneurship. *Journal of Small Business and Enterprise Development,* 13(2), 161-173.